

The Accounts Commission for Scotland

Agenda

Meeting on Thursday 17 October 2013,
in the offices of Audit Scotland, 18 George Street, Edinburgh

The meeting will begin at 10:00 am

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 15 to 17 in private.
4. **Minute of meeting of 12 September 2013.**
5. **Minute of meeting of Performance Audit Committee of 26 September 2013.**
6. **Minute of meeting of Financial Audit and Assurance Committee of 26 September 2013.**
7. **Chair's introduction:** The Chair will report on recent activity and issues of interest to the Commission.
8. **Update report by the Controller of Audit:** The Commission will consider a report from the Controller of Audit on significant recent activity in relation to the audit of local government.
9. **Arm's length external organisations:** The Commission will consider a report by the Secretary and Business Manager.
10. **Statutory report – Argyll and Bute Council:** The Commission will consider a report by the Controller of Audit.
11. **Appointment of auditors to local authority charities – transitional provisions:** The Commission will consider a report by the Assistant Auditor General.
12. **Briefing – Scottish budget 2014/15:** The Commission will consider a report by the Secretary and Business Manager.
13. **Commission meeting dates 2014:** The Commission will consider a report by the Secretary and Business Manager.
14. **Any other business.**

The following items are proposed to be considered in private:

15. **Statutory report – Argyll and Bute Council:** The Commission will consider the action it wishes to take on the report.
16. **Performance audit programme – proposals for 2014/15:** The Commission will consider a report by the Controller of Audit.
17. **How councils work: Charging for services – draft report:** The Commission will consider a report by the Controller of Audit.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of the meeting of the Commission of 22 August 2013	AC.2013.9.1
Agenda Item 5: Minutes of the meeting of the Performance Audit Committee of 26 September 2013	AC.2013.9.2
Agenda Item 6: Minutes of the meeting of the Financial Audit and Assurance Committee of 26 September 2013	AC.2013.9.3
Agenda Item 8: Report by Controller of Audit	AC.2013.9.4
Agenda Item 9: Report by Secretary and Business Manager	AC.2013.9.5
Agenda Item 10: Report by Controller of Audit	AC.2013.9.6
Agenda Item 11: Report by Assistant Auditor General	AC.2013.9.7
Agenda Item 12: Report by Secretary and Business Manager	AC.2013.9.8
Agenda Item 13: Report by Secretary and Business Manager	AC.2013.9.9
Agenda Item 16: Report by Controller of Audit	AC.2013.9.10
Agenda Item 17: Report by Controller of Audit	AC.2013.9.11

ACCOUNTS COMMISSION

MEETING 17 OCTOBER 2013

MINUTES OF PREVIOUS MEETING

Minutes of the meeting of the Accounts Commission held in the offices of Audit Scotland at 18 George Street, Edinburgh, on Thursday, 12 September 2013, at 10am

PRESENT: John Baillie (Chair)
Michael Ash
Alan Campbell
Sandy Cumming
Colin Duncan
Jim King
Christine May
Linda Pollock
Colin Peebles
Graham Sharp
Douglas Sinclair (Deputy Chair)

IN ATTENDANCE: Fraser McKinlay, Controller of Audit
Russell Frith, Assistant Auditor General [Items 10, 11 &13]
Paul Reilly, Secretary and Business Manager
Martin Walker, Assistant Director, Performance Audit and Best Value (PABV) [Items 7, 8, 14 and 15]
Carol Calder, Portfolio Manager, PABV [Items 7, 8, 11, 14 and 15]
Angela Cullen, Assistant Director, PABV [Item 16]
Mark MacPherson, Portfolio Manager, PABV, [Item 16]
Andra Laird, Project Manager, PABV [Item 16]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 22 August 2013
5.	Chair's introduction
6.	Update report by the Controller of Audit
7.	Best Value Audit – Targeted work: Aberdeenshire Council
8.	Best Value Audit – Targeted work: The Moray Council
9.	Audit of community planning and outcomes: next steps
10.	Replacement of the Local Authority Accounts (Scotland) Regulations 1985 – Specific issues
11.	Expectations of audit – consultation with Accounts Commission
12.	Any other business
13.	Audit Scotland fee strategy
14.	Best Value Audit – Targeted work: Aberdeenshire Council
15.	Best Value Audit – Targeted work: Moray Council
16.	Performance audit – draft report: Reshaping Scotland's public sector workforce

1. Apologies for absence

It was noted that apologies for absence had been received from Bill McQueen.

2. Declarations of interest

The following declarations of interest were made:

- Mike Ash, in item 9, as Chair of East Lothian Community Health Partnership and a member of East Lothian Community Planning Partnership.
- Alan Campbell, in items 7 and 14, as a former Chief Executive of Aberdeenshire Council.
- Sandy Cumming, in item 16, as a former Chief Executive of Highlands and Islands Enterprise, one of the bodies surveyed in the audit.
- Christine May, in item 16, as Vice-Chairman of Fife Cultural Trust.
- Linda Pollock, in item 16, as a member of the Royal College of Nursing, who were surveyed as part of the audit.

3. Decisions on taking business in private

It was agreed that items 13 to 16 should be taken in private as they contained draft reports and confidential issues.

4. Minutes of meeting of 22 August 2013

The minutes of the meeting of 22 August 2013 were submitted and approved, subject to:

- Noting advice from the Controller of Audit that:
 - In relation to the second bullet point of item 6 (report back on the desirability of guidance in relation to senior council officers assuming roles with bodies outwith the council), he would report back in this regard at the Commission's November meeting.
 - In relation to the third bullet point of item 6 (information on the proportion of older people being cared for at home rather than in hospital or care homes), he was collecting the said information and would share with the Commission in early course.
- Noting advice from the Secretary and Business Manager that:
 - In relation to the final bullet point of item 7 (housing and council tax benefits administration audit activity: letter to councils commending the report), the letter had been sent, copies of which had been circulated to Commission members.
 - In relation to item 9 (Accounts Commission secure portal), he was still investigating how to progress matters, and would liaise with members to this end in due course.

5. Chair's introduction

The Chair reported that:

- On 28 August, he chaired a meeting of the Community Planning Partnerships (CPP) Audit Steering Group, also attended by the Deputy Chair.
- On 28 August, he and the Deputy Chair met with representatives of COSLA, including David O'Neill, President, Michael Cook, Vice-President and Rory Mair, Chief Executive. He advised that it been a very good meeting, discussing welfare reform, the audit of community planning and the progress of the National Community Planning Group, progress with the strategic scrutiny agenda, the council performance information benchmarking project, and the Commission's current interest in arm's length organisations (ALEOs).
- On 29 August, he attended a meeting of the Audit Scotland Board.
- On 4 September, the Deputy Chair and I met with John Swinney, Cabinet Secretary and Derek Mackay, Minister for Local Government. He advised that this had been a very good meeting, with the subjects discussed including the audit of community planning, strategic scrutiny, and ALEOs.
- On 5 September, he spoke at a conference entitled 'Single Outcome Agreements: the foundation of community planning'.
- Also on 5 September, he and the Deputy Chair met with representatives of SOLACE Scotland (Elma Murray, Chair; George Black, Vice-Chair; and David Martin, Immediate Past Chair). He advised that this had also been a good meeting, covering progress with the council performance information benchmarking project, welfare reform issues being faced by councils, progress with the strategic scrutiny agenda, the Commission's current review of the approach to auditing Best Value, and ALEOs.

6. Update report by the Controller of Audit

The Commission considered a report by the Controller of Audit providing an update on significant recent activity in relation to the audit of local government.

During discussion the Commission:

- Noted advice from the Controller of Audit that there would be a briefing at the next meeting of the Commission on the Scottish Budget 2013/14, which was announced on 11 September 2013.
- Noted a paper tabled by the Controller of Audit detailing an agreement between the Scottish Government and COSLA setting out requirements of community planning partners in relation to joint resourcing. This was part of the Scottish Budget announcement.
- In relation to paragraph 5, noted advice from the Controller of Audit that a paper on the audit and scrutiny of ALEOs would be submitted to the Commission at its next meeting.
- Further in this regard, noted advice from the Secretary and Business Manager that a letter from the Chair to the Cabinet Secretary advising of the Commission's continuing interest in ALEOs had been circulated to members.
- In relation to paragraph 8, agreed that a list be circulated of councils who have signed up to the Improvement Service's Continuous Professional Development Framework, including a breakdown of member and officer take-up.

Actions: Controller of Audit

Thereafter the Commission agreed to note the report.

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7. Best Value Audit – Targeted work: Aberdeenshire Council

The Commission considered a report by the Secretary and Business Manager introducing the Controller of Audit's report of Best Value targeted work in Aberdeenshire Council and seeking direction on how to proceed.

Following consideration, the Commission:

- Noted advice from the Controller of Audit that he was considering how to ensure a more routine focus through audit work on service review and option appraisal activities.
- Agreed to note the report and to consider in private how to proceed.

8. Best Value Audit – Targeted work: Moray Council

The Commission considered a report by the Secretary and Business Manager introducing the Controller of Audit's report of Best Value targeted work in the Moray Council and seeking direction on how to proceed.

Following consideration, the Commission:

- Noted advice from the Controller of Audit that he was considering how to ensure a more routine focus through audit work on service review and option appraisal activities.
- Agreed to note the report and to consider in private how to proceed.

9. Audit of community planning and outcomes: next steps

The Commission considered a report by the Controller of Audit providing an update on the proposal to undertake a further five Community Planning Partnership (CPP) audits over the next 12 months and to prepare a further national overview report on progress being made in improving community planning in Scotland.

During discussion, the Commission:

- Noted advice from the Controller of Audit that he was discussing with strategic scrutiny partners the implications of a reference in the financial memorandum to the Public Bodies (Joint Working) (Scotland) Bill to additional resources of £670,000 per annum for scrutiny of strategic commissioning.
- Endorsed the proposed CPP audit programme for 2013/14.
- Noted how CPP audits fit within the broader work programme of the Accounts Commission and Auditor General for Scotland, alongside Best Value audits, performance audits and annual audit work.
- Endorsed the proposal of the Controller of Audit to undertake a review of the approach to auditing Best Value in the local government during 2013/14 to reflect the impact of the CPP audit and ensure it is fit for purpose.
- Further in this regard, to note advice from the Controller of Audit that he wanted to ensure full involvement of Commission members in the review.

10. Replacement of the Local Authority Accounts (Scotland) Regulations 1985 – Specific issues

The Commission considered a report by the Assistant Auditor General seeking its views to inform a response to the Scottish Government's consultation on draft regulations to replace the Local Authority Accounts (Scotland) Regulations 1985.

During discussion, the Commission agreed the following for inclusion in a response to the consultation:

- In relation to the desirability of requiring the proper officer for finance to be appropriately qualified, to recommend that the Scottish Government should make a professional qualification mandatory.
- In relation to the desirability of prescribing the position of the statutory finance officer in a local authority's management structure, to stress the importance of councils and senior management teams having access to high quality financial information to inform decision-making and thus the need for councils to carefully consider the positioning of the proper officer in their management structures.
- In relation to the desirability of prescribing the establishment of a council audit committee, suggest that the Scottish Government consider, through the circular/guidance to accompany the new Regulations, strongly advising councils to:
 - have an audit or audit and risk committee
 - consider that the committee be chaired by a member of the opposition and include lay members.

Action: Assistant Auditor General

11. Expectations of audit – consultation with Accounts Commission

The Commission considered a report by the Assistant Auditor General seeking its views on how to be involved in the Expectations of Audit project.

Following consideration, the Commission endorsed the proposal for engagement as set out in the paper.

Action: Assistant Auditor General

12. Any other business

The Commission noted that there was no other business to be considered.

13. Audit Scotland fee strategy [in private]

The Commission agreed that this item be held in private to allow it to consider proposals for audit charges.

The Commission considered a report by the Assistant Auditor General setting out Audit Scotland's budget for the financial year 2014/15; seeking the Commission's agreement to the proposed audit charges for the 2013/14 audits; and to advise the Commission aware of a new VAT issue.

During discussion, the Commission:

- Noted advice from the Controller of Audit that data was available on the impact of reducing budgets on the amount of audit work delivered.
- Approved the charging proposals for 2013/14 audits.
- Noted the provisional proposals for the following audit year.
- Note that if agreement is not reached with HMRC in relation to the VAT status of the Commission, further increases may be necessary in which case a further paper would be brought to the Commission.

Actions: Assistant Auditor General

14. Best Value audit – targeted work: Aberdeenshire Council [in private]

The Commission agreed that this item be held in private to allow it to consider how to proceed in relation to a report by the Controller of Audit.

Following discussion, the Commission agreed to make findings as contained in the report to be published in early course.

15. Best Value audit – targeted work: Moray Council [in private]

The Commission agreed that this item be held in private to allow it to consider how to proceed in relation to a report by the Controller of Audit.

Following discussion, the Commission agreed to make findings as contained in the report to be published in early course.

16. Performance audit – draft report: Reshaping Scotland’s public sector [in private]

The Commission agreed that this item be held in private to allow it to consider the draft performance audit report prepared jointly for the Accounts Commission and the Auditor General for Scotland.

The Commission considered a report by the Controller of Audit proposing a draft performance audit report, *Reshaping Scotland’s public sector workforce*, prepared on behalf of the Accounts Commission and the Auditor General for Scotland.

Following discussion, the Commission agreed to approve the draft performance audit report *Reshaping Scotland’s public sector workforce*, subject to the audit team considering a number of points raised in discussion and consulting further with the sponsors of the performance audit, Alan Campbell and Colin Duncan.

Action: Controller of Audit

ACCOUNTS COMMISSION

MEETING 17 OCTOBER 2013

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 26 SEPTEMBER 2013

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of Audit Scotland, 18 George Street, Edinburgh on Thursday, 26 September 2013, at 10.30am.

PRESENT: Douglas Sinclair (Chair)
Mike Ash
John Baillie
Alan Campbell
Jim King
Christine May
Colin Peebles

OTHER COMMISSION
MEMBERS PRESENT: Colin Duncan

IN ATTENDANCE: Fraser McKinlay, Controller of Audit
Paul Reilly, Secretary and Business Manager
Angela Canning, Assistant Director, Performance Audit and Best Value (PABV) [Items 4 and 5]
Ronnie Nicol, Assistant Director, PABV [Item 5]
Graeme Greenhill, Portfolio Manager, PABV [Item 5]
Sarah Pollock, Project Manager, PABV [Item 5]
Kirsty Whyte, Senior Performance Auditor, PABV [Item 5]
Gordon Neill, Portfolio Manager, PABV [Item 6]
Fiona Selkirk, Project Manager, PABV [Item 6]
Lynn Russell, Performance Auditor, PABV [Item 6]
Peter Worsdale, Project Manager, PABV [Item 7]
Kirsty Ridd, Performance Auditor, PABV [Item 7]
Agata Maslowska, Project Officer, PABV [Item 7]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 30 May 2013
4.	Performance Audit Programme: proposals for 2014/15
5.	Performance audit: project brief – School education
6.	How councils work: draft report – Option appraisal
7.	How councils work: draft report – Charging for council services
8.	Any other business

1. Apologies for absence

It was noted that there were no apologies for absence.

2. Declarations of interest

Christine May declared an interest in items 6 and 7 as Vice-Chairman of Fife Cultural Trust.

3. Minutes of meeting of 30 May 2013

The minutes of the meeting of 30 May 2013 were approved as a correct record.

Arising therefrom:

- In relation to the first bullet point of item 9 (*Modernising the planning system*), advice from the Controller of Audit was noted that he would progress the agreed actions in early course.
- In relation to the second bullet point of item 9 (*The role of community planning partnerships in economic development*), advice from the Secretary and Business Manager was noted that the matter would be raised with CoSLA by way of a letter.

4. Performance Audit Programme: proposals for 2014/15

The Committee considered a report by the Controller of Audit introducing a joint paper prepared for the Accounts Commission and Auditor General for Scotland with proposals for the Performance Audit programme for 2014/15 in advance of the paper being submitted to the Accounts Commission at a future meeting.

During discussion, the Committee agreed:

- That the Controller of Audit provide in his report to the Commission more material in relation to the seminar on the Performance Audit programme on 28 May 2013.
- To note in relation to paragraph 5 of the report that the programme also focus on improving performance and securing better value for money.
- In relation to the proposed audits of (i) borrowing and treasury management in local government and (ii) equal pay:, to recommend to the Commission that:
 - The proposed audit on borrowing and treasury management in local government be timed to fit with the spending review process.
 - The scope of the proposed audit on equal pay be widened to include the implementation of, and implications from, pay modernisation and single status.
 - That, of the two audits, the audit of borrowing and treasury management in local government be prioritised in terms of programming.
- To recommend to the Commission that the proposed audit on broadband infrastructure be a joint report with the Auditor General.
- To recommend to the Commission that consideration be given to including in the programme an audit in relation to dereliction and reclamation of industrial land.
- To note that the proposed audits of Accident and Emergency performance and the ambulance service would allow consideration of a future review of unscheduled care.

- To note that the proposed audit *Scotland's public finances: local progress* is a follow-up report from the report published in August 2011, *Scotland's public finances: Addressing the challenges*.
- That, further in this regard, the Controller of Audit consider how to address in the audit how councils have considered stopping services, and also how councils can evidence their thinking and decision-making in reshaping or stopping services.
- That the Controller of Audit consider how, in the Performance Audit programme, to address accountability issues at local level in relation to police and fire services.

Actions: Controller of Audit

Thereafter the Committee agreed that a report on the programme, reflecting the issues set out above, be submitted to the Commission at its next meeting.

5. Performance audit: project brief – School education

The Committee considered a report by the Controller of Audit proposing the approach to the performance audit on school education.

During discussion, the Committee agreed:

- The report of the audit should set out clearly the rationale for the timing of the audit against the policy environment.
- The audit should address how schools perform against their socio-economic base.
- To note in this regard that such an issue would be explored using fieldwork case studies.
- To note that the audit would 'drill down' into factors explaining variation between councils in spend per pupil.
- That in relation to the study advisory group :
 - an appropriately broad representation of teacher and trade union interests be achieved
 - membership include representation from SOLACE and the Improvement Service.
- That the audit address issues in relation to pupils for whom English is not their first language.
- In relation to comparisons with the rest of the United Kingdom and internationally, that the audit provide some comparative analysis (but with limited comment) of different practices in different countries.
- That the audit address appropriately the issues associated with correlation between educational spend and attainment.
- That the audit address the influence of early years' issues.
- That the audit consider outputs from the SOLACE national benchmarking project.
- That in relation to use of resources, the audit address the level of flexibility that councils have in relation to maximising educational achievement.
- That the audit address the influence of teacher training on resource provision and achievement.

- That a revised project brief be shared with Commission members for further comment.

Actions: Controller of Audit

Thereafter the Committee approved the approach outlined in the project brief and supporting issues and investigations matrix, subject to addressing the points raised in the discussion.

6. How councils work; draft report – Option appraisal

The Committee considered a report from the Controller of Audit presenting a draft report in the *How Councils Work* series, on the subject of options appraisal.

During discussion, the Committee:

- Approved the draft report as a basis for a final draft to be submitted to the Commission, subject to consideration being given to points raised in discussion and further discussion with the report sponsors.
- Agreed that prior to final drafting, the report be tested with some elected members to gauge its usefulness.
- Agreed that the Secretary and Business Manager and Controller of Audit liaise with the Chair on the timing of the formal submission of the report to the Commission.

Action: Secretary and Business Manager and Controller of Audit

7. How councils work: draft report – Charging for council services

The Committee considered a report by the Controller of Audit presenting a draft report in the *How Councils Work* series, on the subject of charging for council services.

During discussion, the Committee:

- Approved the draft report as a basis for a final draft to be submitted to the Commission, subject to consideration being given to points raised in discussion and further discussion with the report sponsors.
- Agreed that councils be made aware of the report in advance of publication, in order to allow better management of any press coverage.
- Agreed that the Secretary and Business Manager and Controller of Audit liaise with the Chair on the timing of the formal submission of the report to the Commission.

Action: Secretary and Business Manager and Controller of Audit

8. Any other business

The Committee noted that there was no other business to be considered.

ACCOUNTS COMMISSION

MEETING 17 OCTOBER 2013

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE
OF 26 SEPTEMBER 2013**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 18 George Street, Edinburgh on Thursday, 26 September 2013, at 2pm.

PRESENT: John Baillie (Chair)
Colin Duncan
Linda Pollock

OTHER COMMISSION
MEMBERS PRESENT: Christine May

IN ATTENDANCE: Fiona Kordiak, Director, Audit Services
Fraser McKinlay, Controller of Audit
Paul Reilly, Secretary and Business Manager
Gordon Smail, Portfolio Manager, Performance Audit and Best Value (PABV) [Item 5]
Fiona Selkirk, Project Manager, PABV [Item 6]
Peter Worsdale [Item 7]

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 30 May 2013
4. Current audit issues in councils
5. Local government overview report – project brief
6. *How councils work*: draft report – Option appraisal
7. *How councils work*: draft report – Charging for council services
8. Any other business

1. Apologies

It was noted that apologies for absence had been received from Bill McQueen, Sandy Cumming, Douglas Sinclair and Graham Sharp.

2. Declarations of interest

Christine May declared an interest in item 4 as an adviser to opencast mining companies and as Vice-Chairman of Fife Cultural Trust.

3. Minutes of meeting of 30 May 2013

The minutes of the meeting of 30 May 2013 were approved.

Arising therefrom, the Committee:

- In relation to the third bullet point of item 2 (Staffing Watch initiative), noted advice from the Controller of Audit that the Staffing Watch initiative had yielded information for the most recent quarter of the year, but he would investigate further as to any intentions for the future maintenance of the initiative.
- In relation to the fourth bullet point of item 2 and the first bullet point of item 4 (ALEOs), noted advice from the Controller of Audit that a report on ALEOs – including what information can be gathered and made available for the Commission and its committees – would be considered by the Commission at its next meeting.
- In relation to the second bullet point of item 4 (group of members to discuss ALEOs), noted advice from the Controller of Audit that another member was yet to be nominated.
- In relation to the fourth bullet point of item 4 (report style), noted advice from the Controller of Audit that a new style would be reflected in future reports.
- In relation to the fifth bullet point of item 4 (auditor information), noted advice from the Director of Audit Services that a firm had apologised for an oversight in the amount and quality of information provided in the 'current issues' report to the previous meeting.
- In relation to the sixth bullet point of item 4 (Aberdeen City Council), noted advice from the Director of Audit Services that she was assured that the role of the statutory finance officer was not being compromised by the current changes in senior management.
- In relation to the seventh bullet point of item 4 (audit of charitable trusts), noted advice from the Controller of Audit that a report had been submitted by the Assistant Auditor General to the Commission at its June meeting, and the issue also featured in the report at this meeting on current audit issues in councils.
- In relation to the eighth bullet point of item 4:
 - first sub-bullet (effect of UK pension changes on council liability for national insurance payments), noted advice from the Controller of Audit that the issue would feature in annual audit reports if significant.
 - Second sub-bullet (Inverness West Link Road), noted advice from the Director of Audit Services that the issue was being investigated by the local audit team, further information on which would be forthcoming in due course.

- In relation to the first bullet point of item 5 (review of annual audit plans – feedback to councils), noted advice from the Controller of Audit that the information had been shared with local auditors, and sharing with councils would be done after the completion of this year’s annual audit process.
- In relation to the third bullet point of item 5 (council-by-council analysis), noted advice from the Controller of Audit that the Assistant Auditor General would share this information with members in early course.

4. Current audit issues in councils

The Committee considered a report by the Director of Audit Services outlining emerging issues, recurring themes and individual issues of interest in Scottish councils and joint boards.

During discussion it was agreed:

- That for future reports, a column be added to the appendix setting out the action being taken in relation to each issue.
Action: Director of Audit Services
- In relation to paragraph 4 of the covering report (2012/13 financial statements), to note advice from the Director of Audit Services that she anticipated that all audits of 2012/13 financial statements would be signed off by the deadline of 30 September.
- In relation to paragraph 8 (equal pay), to note advice from the Controller of Audit that the issue was included in the proposed Performance Audit programme, to be considered by the Commission at its next meeting.
- In relation to paragraph 9 (open cast mining):
 - to note advice from the Director that this issue would remain a substantial one worthy of close attention, including for example the revenue implications thereof, and to this end she would continue to update the Committee as appropriate.
 - to note advice from the Controller of Audit that he would include this issue in his regular update report to the next meeting of the Commission.
- In relation to paragraph 13 (Public service network), to note advice from the Director that this issue would remain a substantial one worthy of close attention, and to this end she would continue to update the Committee as appropriate.
- In relation to paragraph 14 (Integrated health and social care – Highland), to note advice from the Director that she would investigate the availability – or prospect – of an evaluation paper in this regard.
- In relation to paragraph 15 (charitable trusts), to note advice from the Controller of Audit that issues around council influence and board composition were being monitored by the Assistant Auditor General.
- In relation to the Appendix to the report:
 - In relation to the City of Edinburgh Council (trams project), to note advice from the Controller of Audit that the Commission would consider further work in relation to the trams project after the proposed public enquiry in this regard.
 - In relation to Falkirk Council (meetings of executive and scrutiny committees), to note advice from the Director that the issue of

effectiveness of scrutiny was being investigated in the annual audit process.

- In relation to North Lanarkshire Council (general fund and reserves), to note advice from the Controller of Audit was noted that a review of reserves across all councils would feature in the local government overview report.
- In relation to Renfrewshire Council (earmarking of Housing Revenue Account for welfare reform support), to note advice from the Director that this was an issue being pursued in the annual audit process, and one which is generating interest from other councils.
- In relation to Scottish Borders Council (land transfer – Borders Railway), that the matter be investigated further.

Action: Controller of Audit and Director of Audit Services

Thereafter the Committee agreed to note the report.

5. Local government overview report – project brief

The Committee considered a report by the Controller of Audit introducing the draft project brief for this year's local government overview report.

During discussion the Committee agreed:

- That the project include a summary of significant events affecting local government in the year and a review of how councils have improved.
- That further thought be given to improving press interest in the published report.
- That a review be included of issues around councils withdrawing services, with examples if available.
- That representation of arm's length organisations be considered as a stakeholder for consultation.
- That prevention be included as an issue for review.
- That paragraph 15 be revised to make clear an expectation that councils discuss the report with their community planning partners.

Actions: Controller of Audit

Thereafter the Committee approved the approach outlined in the project brief, subject to addressing the points raised in the discussion.

6. How councils work: draft report – Option appraisal

The Committee considered a report from the Controller of Audit presenting a draft report in the *How Councils Work* series, on the subject of options appraisal.

Following discussion, the Committee approved the draft report as a basis for a final draft to be submitted to the Commission, subject to consideration being given to points raised in discussion and further discussion with the report sponsors.

Action: Controller of Audit

7. How councils work: draft report – Charging for council services

The Committee considered a report from the Controller of Audit presenting a draft report in the *How Councils Work* series, on the subject of charging for council services.

Following discussion, the Committee approved the draft report as a basis for a final draft to be submitted to the Commission, subject to consideration being given to points raised in discussion and further discussion with the report sponsors.

Action: Controller of Audit

8. Any other business

The Committee noted that there was no other business to be considered.

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ACCOUNTS COMMISSION

MEETING 17 OCTOBER 2013

REPORT BY CONTROLLER OF AUDIT

UPDATE REPORT

Introduction

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity in relation to the audit of local government.
2. It is intended to complement the intelligence reports to the Financial Audit and Assurance Committee, which provide a more detailed update on issues arising in local government.
3. The most recent such report was at the Committee meeting of 26 September.

Local government issues

4. The deadline for sign off of local authority accounts was 30 September. All accounts were signed off by this date and this is testament to the hard work which has been taking place in all local authorities and by the appointed auditors across the country.
5. The audit of the 2012/13 financial statements is nearing completion and all annual audit reports to the Controller of Audit and elected members are on track to be finalised on or before the deadline of 31st October.
6. Matters arising from the audit will be reported in the annual local government overview report and / or be the subject of separate reports as appropriate.

Scottish Parliament/ Scottish Government/ CoSLA

7. The Parliament's Public Audit Committee considered the joint Accounts Commission/ Auditor General for Scotland report 'Housing in Scotland' at a meeting on 2nd October. I will provide a verbal update to commission members at the meeting
8. The Local Government & Regeneration Committee has published the Scottish Government's [response](#) to all three strands of the Committee's inquiry on Public Services Reform. The response makes several references the national and local Community Planning Partnership Reports published earlier in the year and to the commission's SPI Direction.
9. The Committee's forward work programme makes reference to an invitation to COSLA to provide a brief on a proposal to undertake a piece of work looking at the structure, shape and functions of local government as part of the wider constitutional framework of Scotland.
10. CoSLA subsequently announced [details](#) of the 'Commission on Strengthening Local Democracy in Scotland' which is to examine ways of strengthening local democracy irrespective of the result of the independence referendum. The President of COSLA Councillor David O'Neill will chair the commission with 20 other members, including

councillors from across Scotland, representatives of voluntary groups, STUC general secretary Graham Smith, the academic Professor Richard Kerley and the editor of the Daily Record newspaper Alan Rennie. The commission's report is expected in the spring of 2014.

Current activity in local government

11. A new coalition of independent, Conservative and Liberal Democrat councillors has gained control of Argyll and Bute Council. Councillor Dick Walsh is the new leader of the council. A statutory report on Argyll and Bute Council is on the agenda for this meeting of the Commission.
12. Labour and the SNP have formed a new administration on Dumfries and Galloway Council after seven Conservative councillors resigned from their group. This left the Conservative-SNP alliance without an outright majority. Labour councillor Ronnie Nicholson has taken over the role of council leader from Ivor Hyslop, who had been in the post for six years. Councillor Brian Collins (SNP) will continue as deputy leader, as he did in the previous administration.

People update

13. The Local Government Minister Derek Mackay has announced that Ronnie Hinds, former Chief Executive of Fife Council, has been appointed as the Chair of the Local Government Boundary Commission. Mr Mackay also announced other appointments to the Commission.

Other Agencies

14. In recent weeks the Scottish Public Sector Ombudsman (SPSO), the Commissioner for Ethical Standards in Public Life in Scotland and the Scottish Information Commissioner have all published 2012/13 annual reports.

SPSO

15. The SPSO annual report covering the whole of the public sector notes that SPSO received 531 enquiries and 4,120 complaints in 2012/13. This compares to 625 enquiries and 3,918 complaints in the previous year. 1507 (36.5%) of the complaints related to local Government, this was a 1% increase from the previous year.
16. The full report is available on the SPSO website:
http://www.spsso.org.uk/sites/spsso/files/communications_material/annual_report/SPSO_Annual_Report_2012-13.pdf
17. SPSO have also published a 2012/13 annual report specifically on the Local Government sector. This highlights that:
 - Most of the complaints related to; Housing (361), Planning (197) and Social work (183)
 - 47% of complaints were upheld (up from 32% in 2011/12 and slightly above the rate for the public sector of 46%)
 - SPSO made 19 recommendations for redress and improvement in the local government sector.

Commissioner for Ethical Standards in Public Life in Scotland

18. On 20th September the Commissioner for Ethical Standards in Public Life in Scotland published its 2012/13 annual report. The annual report covers the business of the former Commission for Ethical Standards in Public Life in Scotland and the former offices of the Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland.

19. The report highlights that:

- There were 192 complaints in 2012/13 compared with 185 in 2011/12, an increase of 4%.
- Most complaints (181) continue to be against councillors rather than members of devolved public bodies (2). Nine were outwith jurisdiction.
- 74% of complaints were found, after initial investigations, either not to amount to a breach of the Code or had limited substance or merit.
- In 23% of cases a full investigation was required, but the conclusion was that there had been no breach of the Code.
- In respect of five complaints (3%) there was a finding that there had been a breach of the Code. All of these were in councils, four related failures to declare an interest and one was 'disrespect of councillors/ officials'.
- Five complaints went forward to hearings before the Standards Commission.

20. The Commissioner concluded that 'having regard to the complaints received and the outcomes of the investigations, including the limited number of breaches of the Code and the minimal number of cases relating to members of devolved public bodies, I consider that councillors and public body members have generally applied high standards of conduct in undertaking their official responsibilities.'

21. He went on to note that 'Local authorities in particular must continue, actively and as a priority, to promote high ethical standards as a part of their arrangements for corporate governance.'

22. The annual report is available on the CESPSL website :

<http://www.ethicalstandards.org.uk/site/uploads/publications/fa16805ce89802135fe9847cf7bfd1f6.pdf>

Scottish Information Commissioner

23. The Scottish Information Commissioner (SIC) has also published her 2012/13 annual report.

24. The report highlights that:

- 43% of the 594 applications received by SIC related to local government
- Where local authority cases were closed with a decision 34% were in favour of the applicant, 37% were in favour of the local authority and 29% were partially upheld

25. The full report is available on the Commissioner's website:

<http://www.itspublicknowledge.info/home/SICReports/AnnualReport201213.aspx>

26. The Welsh Audit Office (WAO) published 'Local Improvement Planning and Reporting in Wales' on 26/09/13.

27. The key findings, many of which are consistent with the messages of Accounts Commission/ Audit Scotland reports, are:

- 'Whilst all authorities are complying with their legal obligations both to plan for and report improvement, they are not consistently acting in accordance with Welsh Government guidance and acting on the recommendations of regulators
- Most authorities now have clear improvement objectives and are increasingly expressing them in terms of measurable outcomes for local people
- Authorities are generally getting better at planning to achieve improvement but some fail to connect their objectives sufficiently with their corporate plans and arrangements
- Whilst most authorities are using a wider range of measures, over half have difficulty in accurately measuring their performance across all services due to partial or inaccurate information
- Not all authorities are making comparisons in a way that helps councillors and local people understand how well their council is doing
- Few authorities are making enough use of performance information to evaluate, inform and drive their improvement Authorities are increasingly engaging local people in a dialogue about their performance and improvement but a number report selectively and others fail to present a clear picture.'

28. The full report is available on the WAO website:

http://www.wao.gov.uk/assets/englishdocuments/LG_summary_English_2013.pdf

Conclusion

29. The Commission is invited to consider and note this report.

Fraser McKinlay
Controller of Audit
9 October 2013

ACCOUNTS COMMISSION

MEETING 17 OCTOBER 2013

REPORT BY SECRETARY AND BUSINESS MANAGER

ARM'S LENGTH EXTERNAL ORGANISATIONS: POWERS OF THE COMMISSION

Purpose

1. This report sets out issues around the powers of the Commission in relation to the scrutiny of arm's length external organisations (ALEOs). It also proposes actions that the Commission may wish to take in this regard.

Background

2. At its meeting on 20 June 2013, the Commission considered a report by the Controller of Audit providing contextual information and identifying issues relating to ALEOs and outlining potential next steps for the Commission to take.
3. At that meeting, the Commission agreed that more information be provided on the size and budget of ALEOs, notwithstanding the advice of the Controller of Audit that more discussion would be needed on what constitutes an ALEO. This would allow it to consider future steps.
4. The Commission delegated to the Chair and Deputy Chair to discuss further with the Controller of Audit the information (and the timing thereof) to be provided to the Commission. To this end, the Chair and Deputy Chair agreed subsequently that legal advice be sought on the powers available to the Commission in respect of the scrutiny of ALEOs.
5. Legal advice was subsequently received, a copy of which has been provided to Commission members, separately from this report.

Summary of ALEOs

6. The Controller of Audit has compiled a summary analysis of ALEOs for the Commission's information, which is contained in Appendix 1. This information primarily comes from an analysis of the 2011/12 annual accounts so would be appropriate for further updating. It also does not include size and budget of ALEOs, which would require a further piece of analysis using wider sources of information.

Forms of ALEOs

7. The report to the Commission on 20 June noted that there is no single definition of an ALEO beyond the components of the acronym itself, though this phrase is now in common usage. The report set out the various forms that an ALEO may take. In its 2011 report on ALEOs, the Commission defined ALEOs as "companies, trusts and other bodies that are separate from the local authority but are subject to local authority control or influence. Control or influence can be through the council having representation on the board of the organisation, and/or through the council being a main funder or shareholder of the organisation."¹
8. The legal advice that was sought included a consideration of forms of ALEOs and how this might affect council influence and thus, by extension, the Commission's scrutiny powers. The advice notes that since a key principle for the Commission in these current considerations is to follow expenditure of public money, it does not always follow that the models allowing for greater control from an authority are those with the greater levels of public expenditure. The advice concludes therefore that a simple test similar to that used in the Commission's 2011

¹ *How councils work: an improvement series for councillors and officers - Arm's-length external organisations (ALEOs): are you getting it right?*; Accounts Commission, June 2011

report on ALEOs (appropriately recast, to minimise any ambiguity) might be appropriate for the Commission to judge which ALEOs should be the focus of scrutiny.

The Commission's powers

9. A summary of the Commission's powers in relation to scrutinising an ALEO can be found in Appendix 2. The legal advice received confirms that the Commission does not have the power to scrutinise ALEOs directly. There are, however, a number of ways in which the Commission can – through its powers in relation to councils – apply accountability to an ALEO. Principally, the Commission can make more use of its current powers in relation to receiving reports from the Controller of Audit.
10. The Commission can – through the route of the Controller of Audit's statutory report on a council (i.e. section 102)¹ - reach findings or hold a hearing on how an ALEO is performing against the council's requirement to demonstrate Best Value.
11. The Commission also has the power to access information held by an ALEO and to access individuals. It has the right, under Section 97B of the 1973 Act, to require information from "any person who, by arrangement or agreement..... is discharging any function of" a local authority. ALEOs are, for the most part, set up to discharge – under services contracts (or equivalent) – one or more functions of a council. In addition any auditor conducting a report has the right, under Sections 100(1) and 100(1B) of the 1973 Act, to require respectively:
 - any document necessary to examine the accounts of a local authority; and
 - any information or explanation necessary for the purpose of the audit from "any person, who by arrangement or agreement...is discharging any function of the authority or body."
12. Although this does not constitute a direct right to audit ALEOs, under these sections the Commission, and the auditors it appoints, has a right to require an ALEO to provide all information reasonably required for the purposes of auditing a council. The information required could relate to the ALEO's own performance, to the extent that that affects the performance of the council.
13. In a hearing, which the Commission can call in response to either statutory (Section 3 of Local Government in Scotland Act 2003) or special reports (Section 103B of the 1973 Act), the Commission can require any person to attend, give evidence and produce documents. This power could therefore be used to require an officer of an ALEO (for example its chief executive), to appear at and contribute to any hearing.
14. The overall position is that there is scope for the Commission applying its existing powers further in order to better hold ALEOs to account and to encourage councils to do the same.
15. Overall, therefore, there is within the Commission's current powers, scope for:
 - requiring ALEOs to provide information and documents for audit purposes;
 - commenting on ALEO performance in reports and special reports on councils;
 - involving ALEOs in the hearings process; and
 - making findings on councils that relate to ALEOs.

¹ Section 102 of the 1973 Act gives the Controller the right – and obligation, when required by the Commission – to report to the Commission on:

- accounts audited under the 1973 Act;
- any matters arising from such accounts; or
- performance by a council of their duties regarding 'best value and accountability' and 'community planning', which arise from the Local Government in Scotland Act 2003.

Limitations to the Commission's powers

16. Of course, all of these powers are related to how the ALEO's performance has affected the performance of the council. The lack of a direct route to audit ALEOs presents some issues worthy of note. Some ALEOs perform some functions that would not be widely regarded as council functions (such as the Scottish Exhibition and Conference Centre¹) and therefore would be more difficult for the Commission to hold to account for such non-council functions. Further, any sanctions available to the Commission through, for example, the hearing process cannot be applied directly to an ALEO and would have to be implemented against the council rather than the ALEO itself.
17. There are, therefore, some gaps which may exist in the Commission's powers in relation to scrutinising ALEOs. The Commission may wish to consider, however, whether it has used its existing powers extensively enough to have identified a pressing need to fill these gaps.
18. At a recent meeting between the Chair, Deputy Chair and the Cabinet Secretary, the Chair advised of the Commission's current interest in the ALEO scrutiny issue. At the meeting, it was noted that the Scottish Government will shortly be commencing a consultation on its draft Bill on Community Empowerment and Renewal. The Chair has subsequently written to the Cabinet Secretary suggesting that the provisions in the draft Bill relating to the transfer of public sector assets to communities may present an opportunity to consider accountability and scrutiny issues around such a measure. He therefore proposes that such an issue feature in discussions on the consultation.

Other developments

19. The Controller of Audit has recently discussed the issue of ALEOs with the Chief Executive of the Office of the Scottish Charity Regulator (OSCR). OSCR have agreed that it would be useful to undertake an exercise to map out our respective interests in the issue of ALEOs.
20. The Scottish Council for Voluntary Organisations (SCVO) recently announced its inquiry into the governance, role and finances of ALEOs.² SCVO previously set out its view that it sees ALEOs who achieve charitable status as a direct threat to the reputation of the third sector and the charity brand. SCVO expressed concern that ALEOs may be diverting vital resources from the third sector to fund public services that should be resourced from local authority budgets.³
21. The Local Audit and Accountability Bill – which provides for the abolition of the Audit Commission in England, is currently making its way through the Westminster Parliament. Clause 21 of the Bill refers to an auditor having a right of access to every document that relates to a “relevant authority or an entity connected with the authority” but then modifies this by saying that it is where “the auditor thinks is necessary for the purposes of the auditor's functions under the Act” which is the audit of the authority. This therefore provides a power for the auditor similar to that enjoyed by the Accounts Commission (i.e. Sections 97B, 100(1) and 100(1B) of the 1973 Act).
22. In June 2013 the Scottish Government brought forward a draft order extending freedom of information (FoI) legislation to certain bodies. The bodies are those established or created by Scottish local authorities whose functions on behalf of the authorities include developing and/or delivering recreational, sporting, cultural or social facilities and activities. Subject to Parliamentary approval, those bodies falling within scope of the proposed order will become subject to FoI law from April next year. This is an initial order which covers arm's length culture, sport and leisure trusts. The Scottish Government has stated that it intends to consult further in due course on extending freedom of information coverage to other arm's length organisations.

¹ The Scottish Exhibition and Conference Centre is owned and operated by SEC Ltd, a private company limited by shares. The shareholding in SEC Ltd is 90.86% owned by Glasgow City Council (GCC) and 9.14% by a number of private institutions, such as banks, pension funds and insurance companies.

² *Public Finance*, 3 September 2013.

³ Response by SCVO to Local Government and Regeneration inquiry into The Freedom of Information (Scotland) Act 2002 (Designation of Persons as Scottish Public Authorities) Order 2013.

23. In the context of that consultation, the general thrust of the proposals are directed towards bringing private sector partners within the scope of FoI, given that they are involved in delivery of public services or public infrastructure and that therefore generates reasonable expectations among the general public as regards transparency. It does not necessarily follow, however, that even if that is seen to be an appropriate approach in the context of FoI, the same rationale would justify bringing private sector providers within the same regime as councils in the context of the Commission's role.

Next steps

Following the Public Pound Code

24. There are a number of steps that the Commission can take to assure itself about the performance of ALEOs, and to assure the public that it can apply accountability to ALEOs.
25. Firstly, there is already in existence a Code of Guidance on 'funding external bodies and following the public pound', published in 1996 by the Accounts Commission and COSLA in response to growing concerns about the implications for control and accountability arising from the use of ALEOs. The focus was on self-regulation and based on the premise that, to ensure public money is used properly, it must be possible to 'follow the public pound' across organisational boundaries.
26. The six principles in the Code are as relevant today as they were when the Code was first published. These are set out below.
-

Exhibit 1: Following the public pound principles

The principles of openness, integrity and accountability apply to councils in their decisions on spending public money. These apply equally to funds or other resources which are transferred to ALEOs. The Code sets out six principles that require councils to:

- have a clear purpose in funding an ALEO
 - set out a suitable financial regime
 - monitor the ALEO's financial and service performance
 - carefully consider representation on the ALEO board
 - establish limits to involvement in the ALEO
 - maintain audit access to support accountability.
-

27. The Code was published some time ago and since then there have been important developments in governance and professional practice. There have also been significant changes in local government legislation, including councils' responsibilities for Best Value and Community Planning. The Code received statutory backing in 2005 and, as a result, councils are required to comply with the Code when they establish and deal with ALEOs.
28. There is therefore scope to update the Code to reflect such developments since its publication. If the Commission sees this as desirable, then it should consider how the report would be published. The Code is distinct in that there are no other such codes that are published by the Commission (albeit that it was published jointly with CoSLA). It may therefore be more appropriate for the Code to have a similar status than other codes such as the code of guidance in relation to corporate governance, which is produced by Chartered Institute of Public Finance and Accountancy (CIPFA). This would mean that it could be published by another body other than the Commission.

Gauging progress with ALEOs: further work

29. The Code continues to provide the foundation for how councils should manage their relationships with ALEOs. Our *Following the Public Pound* report of 2005¹ found that no council fully complied with the Code. There is, therefore, scope, for the Commission to further gauge how councils have complied. Such a piece of work could take various forms, either as part of the annual audit process or as a distinct piece of work such as a performance audit. The Commission's June 2011 report on ALEOs can also act as a useful reference point for this work.²
30. This would provide the Commission with a clearer position statement on issues surrounding ALEOs and allow the Commission a platform to make clear its expectations of councils in their dealings with ALEOs. It would involve gathering and reporting information on:
- Number of ALEOs
 - Size
 - Turnover
 - Status and form
 - Function
 - Governance arrangements and relationship with the council.

Conclusion

31. The Commission is invited to:
- Note the information provided in this report on the prevalence of ALEOs.
 - Note the advice received in relation to the Commission's powers to hold ALEOs to account.
 - Consider whether, as a next step, to update the Code of Guidance on 'funding external bodies and following the public pound'.
 - Consider whether, as a next step, to commission work on the governance of ALEOs.
 - Agree that the Controller of Audit discuss further with OSCR how to collaborate in relation to parts of this work.

Paul Reilly
Secretary and Business Manager
8 October 2013

¹ *Following the Public Pound. A follow-up report*, Accounts Commission, December 2005.

² Accounts Commission, June 2011, op. cit.

APPENDIX 1: HIGH LEVEL SUMMARY OF LOCAL GOVERNMENT ARMS LENGTH EXTERNAL ORGANISATIONS (ALEOS)

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
Aberdeen City	Yes	152.0	Aberdeen Exhibition & Conference Centre Ltd (AECC)	Subsidiary	AECC is wholly owned and controlled by Aberdeen City Council who are represented on the board of directors. Provides buildings for the conduct of exhibitions, conferences and other events	100%	£1.2m		£445.6m
			Mountwest 343 Ltd	Subsidiary	The parent company of Mountwest 343 Ltd is AECC and the ultimate parent undertaking is Aberdeen City Council who are represented on the board of directors of the holding company. The principal activity of the company is the rental of the redeveloped AECC.	100%	£1.1m		
			Sport Aberdeen Ltd	Subsidiary	Sport Aberdeen is a charity and constitutes a ltd company limited by guarantee. The principal activity of the company is the provision of recreation leisure facilities and services on behalf of Aberdeen City Council. The council does not own the entity, but is deemed to have control representing power to govern through agreements in place.	100%	£0.5m		
			Aberdeen Sports Village Ltd	Joint Venture	Aberdeen Sport Village Ltd (ASV) is a company limited by guarantee and registered as a charity. It is owned equally by the council and the University of Aberdeen. Its objectives are to provide sports and recreational facilities for the use of both students and staff of the university and the general public.	50%	£22.2m		
			Aberdeen Heat and Power Ltd	Not Material	Aberdeen Heat and Power Ltd (AHP) is a company limited by guarantee and has no share capital. The council is the sole guarantor. Control of the company rests with the board of directors which is independent of the council. The council appoints two of the ten directors.	-	£0.7m		

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			Grampian Venture Capital Fund Ltd	Not Material	Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £455k. The council holds 29.9% of the voting rights, Aberdeenshire holds 35.4% and Moray 20.4%.	29.9%	£0.3m		
			Strategic Development Planning Authority	Not Material	The Strategic Development Planning Authority is a partnership between Aberdeen City and Aberdeenshire Council. The current legislative position prevents it from retaining a surplus and reserves.	-	-		
Aberdeenshire	Yes	8.0	Strategic Development Planning Authority (SDPA)	Not Material	Under the Planning etc (Scotland) Act 2006, Aberdeen City and Aberdeenshire Councils were required by Scottish ministers to constitute a new SDPA. The SDPA will manage the process of preparing and reviewing the strategic development plan and defining its boundaries. Six of the 12 board members are appointed by the council.	-	-	-	£555.4m
			Aberdeenshire Towns' Programme	Not Material	The Aberdeenshire Towns' Programme created Banff & Macduff Community Trust; Fraserburgh Development Trust; Huntly Development Trust; and Peterhead Project Limited. These entities were created to lead economic and community developments in the towns on behalf of the wider community and in conjunction with Aberdeenshire CPP. The trusts are supported by council officers and councillors, but the council holds no voting rights at any of the meetings. The council is not committed to providing revenue funding post March 2012.	-	-	-	

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			Archaeolink Trust		The Archaeolink Trust is a charitable trust which was established to enhance recreational and educational provision in Aberdeenshire. The facility is owned by the council and leased to Archeolink. The council appoint the two trustees.	-	-	-	
			Scotland's Lighthouse Museum Ltd	Not Material	The company was formed to advance and promote the education of the general public by the establishment and preservation of a museum. The company is a registered charity.	-	-	-	
			Sporting Trusts	Not Material	The council has an interest in Balmedie Sports Trust; Bennachie Sports Trust; Denman Park Pavilion; Ellon & District Trust; Garloch Sports Trust; Lawsondale Playing Fields; Westdyke Leisure Centre; and Huntly Leisure Trust.				
			Grampian Venture Capital Ltd	Not Material	The council owns £161,000 fully paid up £1 shares in the company. The council holds a 35% share in the company.	-	-	-	
Angus	Yes	93.0	Tayside Contracts	Joint Venture		31.5%		-	£253.5
			Angus Environment Trust (AET)	Subsidiary	AET receives contributions from the council as a landfill operator in lieu of part of the council's liability for Landfill tax.			-	
			Angus Community Care Charitable Trust (ACCCT)	Subsidiary	ACCCT is a limited company and charity. It has a wide remit to develop and provide housing services and facilities for Care in the Community.			-	
			Angus advised that the listed organisations were not consolidated on the bases that they have no group relationship with the council		Angus Community Care Charitable Trust; Angus Environmental Trust; Dundee Energy Recycling Ltd; Business Gateway Tayside; Tay Road Bridge; Angus Care & Repair.				

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
Argyll & Bute	No	0	Strathclyde Partnership for Transport (SPT)	Associate	SPT is a joint committee of all councils in the west of Scotland. It's remit includes the promotion of joint working to set out the policy framework for achieving the most effective management, development and integration of the transport network.				£261.4m
			Strathclyde Concessionary Travel Scheme Joint Committee	Associate	The body comprises the 12 local authorities within the west of Scotland and oversees the operations of the concessionary fares scheme for public transport.				
			West Highland Housing Association						
			Cowal Council on Alcohol and Drugs						
			Helensburgh Addiction Rehabilitation Team						
			Islay and Jura Community Enterprise						
			Mid Argyll Community Enterprise						
			Oban Addiction Support Information Services						
			Oban and Lorn Community Enterprise – Atlantis Leisure						

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
Clackmannanshire	No	0	Forth Valley Geographical Information Service (FVGIS) Ltd	Associate	This is a limited company of which the Council, Stirling Council and Falkirk Council are equal shareholders.	33.3%		£0.5m	£120.6m
			CSBP Clackmannanshire Investments Ltd	Joint Venture		50%		£0.001m	
			CSBP Clackmannanshire Developments Ltd	Joint Venture		50%		£0.1m	
Dumfries & Galloway	No	0			The council's accounts state that 'the preparation of group accounts is not considered necessary to provide a fair presentation of the Council's financial position'.				£372.5m
Dundee City	Yes	208.3	Dundee City Developments Ltd (DCD)	Associate	DCD company limited by guarantee and aims to continue the process of economic regeneration and to maintain momentum across a range of economic development initiatives in the city. The council has two officers on the company's board (there can be up to ten other board members).	28.57%	£0.9m		£362.8m
			Dundee Energy Recycling Ltd (DERL)	Associate	DERL is a special purpose company, established in order to construct and operate a Waste-to-Energy Plant at Baldovie, Dundee. The council has two officers as Directors on the company's board (the maximum number of directors is six).	40%	(£4.2m)		

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			Dundee Leisure Ltd / Leisure and Culture Dundee	Associate	Dundee Leisure Ltd has charitable status and managed and operated the Council's swimming and leisure facilities. When it was set up, a Management Agreement was agreed between the Council and the Company, together with building leases for five different leisure facilities. As part of the Management Agreement, 118 FTE staff transferred from the Council to the Company on existing terms and conditions of employment. In addition, Dundee Leisure managed and operated the community based Sports facility at the new St Paul's RC Academy. The Council had five elected members and two officers appointed as Directors to the Board (total number of Directors was 18). In February 2011, it was agreed to establish a charitable organisation to manage the leisure and cultural facilities owned by the Council. The Council has four elected members and two officers appointed as Directors to the Board (total number of Directors is 13).	38.89% / 46.15%	- / (£8.2m)		
			Discovery Education Companies		Discovery Education PLC, Discovery Education (Holdings) Limited and Discovery Education (Nominee) Limited were established during financial year 2006/2007 to operate the Dundee Schools PPP Project. The Council's interest in these companies is accounted for as an investment in the single entity and group accounts.				
			Dundee Ice Arena Ltd		The company operates the Ice Arena facilities in Dundee, which are owned by the Council. The Council has four elected members and two officers appointed as Directors to the Board (total number of Directors is 14).				

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			Dundee Contemporary Arts Ltd		The company operates the Arts Centre in Dundee, which is owned by the Council. The Council has four elected members and two officers appointed as Directors to the Board (maximum number of Directors is 20).				
			Dovetail Enterprises (1993) Ltd		The company provides training and employment for persons with disabilities. The Council provides annual grant funding to this organisation. The Council has also provided an interest free loan of £400,000 repayable by 31 March 2013 and as a result has increased its share of the Standard Security to 33% of the company's liquidated assets. The Council has four elected members appointed as Directors to the Board (total number of Directors is 14).	33%			
			Tayside Contracts Joint Committee		Tayside Contracts is a commercially based local authority contracting organisation providing catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance throughout the Tayside area of Scotland. Tayside Contracts is accounted for as a "joint arrangement which is not an entity"	33%	£34.2m		
			Tay Road Bridge Joint Board		The Board comprises twelve elected members who are appointed by the three constituent Councils, with Dundee City Council nominating six members. The financial results of the Board have not been consolidated in the City Council's Group Accounts on the basis that the Council does not have a financial interest or investment in the Board.	-			

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
East Ayrshire	Yes	187.4	Cumnock Regeneration (Retail) Ltd	Joint Venture	The joint venture was formed in 2007 for the purpose of developing retail facilities within Cumnock.	50%		£0.001m*	£283.9m
East Dunbartonshire	Yes	160.1	Mugdock Country Park Joint Management Committee	Subsidiary	The Joint Committee's duties are to provide, lay and improve, maintain and manage Mugdock Country Park on behalf of the Council and Stirling Council.	87.5%	-	-	£238.7m
			East Dunbartonshire Leisure & Culture Trust Ltd	Subsidiary	The company delivers a range leisure and cultural services on behalf of the council.	100%	-	£9.7m	
			Non material interests in other entities	Not Material	East Dunbartonshire Development Company; Est Dunbartonshire Municipal Bank; The Lennoxton Initiative; Kirkintilloch's Initiative Ltd; East Dunbartonshire Enterprise Trust Ltd; Glasgow & Clyde Valley Strategic Development Planning Authority Joint Committee; West of Scotland European Forum; Continuing Education Gateway.		-		
East Lothian	Yes	150.0	East Lothian Investments	Associate	For economic development purposes	40%	£0.5m		£207.9m
			Enjoy East Lothian Ltd	Associate	Provision of leisure services	33.3%	£5.7m		
			Brunton Theatre Trust	Associate	Provision of arts services	40%	£0.5m		
			East Lothian Land Ltd	Subsidiary	The company's purpose is to manage land to support economic development.	100%	£0.6m		
			Musselburgh Joint Racing Committee	Subsidiary	The remit of the committee is to organise and develop horse racing at Musselburgh Links. The council nominates four of the seven Committee members.	-	-	-	
East Renfrewshire	No	0	Non material interest in joint committees	Not Material	Glasgow & Clyde Valley Structure Plan; Continuing Education Gateway; West of Scotland Archaeology Service; West of Scotland European Forum; Dams to Darnley Country Park Joint Committee.				£230.3m

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
City of Edinburgh%	No	0	CEC Holdings Ltd	Subsidiary	The principal activities are property development and the operation of an international conference centre. The company has a number of subsidiaries including Edunburgh International Conference Centre; EDI Group Ltd; and New Edinburgh Ltd. Some of these subsidiaries, in turn, also have subsidiaries and so on.	100%	£17.3m		£999.0m
			Lothian Buses plc	Subsidiary	The company operates buses in the city of Edinburgh and surrounding area.	91.01%	£69.3m		
			Tie Ltd	Subsidiary	The principal activity is to promote, support and / or effect the development, procurement and implementation of projects in the council's transport strategy.	100%	£0.001m		
			Edinburgh Convention Bureau	Subsidiary	The company's assets have been transferred to Marketing Edinburgh Ltd and the company was wound up in June 2012.	100%			
			Edinburgh, Lothian and Scottish Borders Screen Industries Office Ltd	Subsidiary	The company's assets have been transferred to Marketing Edinburgh Ltd and the company was wound up in MAY 2012.	100%			
			Marketing Edinburgh Ltd	Subsidiary	The principal activities are to increase economic activity within Edinburgh areas by promoting it as a destination to live, work, study, etc.	100%	-	-	
			Pacific Shelf 825 Ltd	Subsidiary	Leases land and property. Assets have been transferred to Shawfair Land Ltd, a subsidiary of CEC Holdings Ltd. The company will be wound up in 2012/13.	100%			
			Edinburgh Leisure	Associate		33.3%			
			Festival City Theatres Trust	Associate	The council leases the King's Theatre and the Festival Theatre to the trust.	36.4%	£4.6m		

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			International Conference Centre Income Trust	Associate	The trust was set up to hold funds received from the sale of land at the conference centre site. Balance of unexpended funds at the year end was £9.4m.	100%			
			International Conference Centre Expenditure Trust	Associate	The trust was set up to hold funds provided by the Council for the development of the conference centre. The balance of unexpended funds at the year end was £5.2m.	100%			
			Capital City Partnership	Subsidiary	The principal activities are to promote community regeneration, by bringing together key statutory, voluntary, community and private sector bodies.	100%	£1.0m		
Comhairle nan Eilean Siar	No	0	Sgoiltean Ura LLP	Subsidiary	The company is an arms length LLP responsible for the design, construction, facilities management and lifecycle maintenance of the schools to be built as part of the Western Isles Schools Project. The LLP is a partnership between the Comhairle (99.99%) and Sgoiltean Ura Investments Ltd (0.01%), with the latter being a company limited by shares having the Comhairle as sole share holder.	99.99%			£122.9m
Falkirk	Yes	335.8	FCSL (Holdings) Ltd and Falkirk Community Stadium Ltd	Subsidiary	The council owns 100% of the share capital of FCSL (Holdings) Ltd, which in turn owns all of the share capital of Falkirk Community Stadium Ltd. The principal activity is the operation of a stadium at Westfield, Falkirk.	100%			
			Falkirk Community Trust Ltd	Subsidiary	Falkirk Community Trust Ltd is responsible for the management and operation of a range of community sport, recreation, arts, heritage and library services.	100%			£359.5m
			Related parties		Related parties included Falkirk & District Business Park Ltd; Falkirk & District Town Centre Management Ltd; Family Centres; and Falkirk Schools Gateway.				

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
Fife	Yes	272.2	Fife Sports and Leisure Trust Ltd	Associate	Manages and operates the council's leisure facilities. The council is represented on the board of directors by four members and two officers (total number 13).	40.9%	£0.7m		£810.5m
			Arts and Theatres Trust Fife Ltd	Associate	The company provides arts, culture and entertainment across Fife through the provision of an Arts Development service and the management and operation of the council's theatre facilities. The council is represented on the board of directors by four members and two officers (total number 13).	47.3%	(£0.1m)		
			Fife Coast and Countryside Trust Ltd	Associate	The company undertakes a range of countryside activities on behalf of the council and its partners. The council is represented on the board of directors by two members and one office (total number 10).	62.9%	£1.4m		
			Fife Golf Trust Ltd	Associate	The company provides golf across Fife through seven golf courses. The council is represented on the board of directors by 3 members and 1 officer.	52.7%	(£0.2m)		
			Fife Environment Trust		The company's purpose is to distribute funds from landfill operations to local groups for the completion of environmental projects. The company is independent of Fife Council, and the council is represented on the board of directors by one member and one officer.				
			Related Parties not material	Not Material	Impact 21; SESPlan; TAYPlan; and SESTran.				
Glasgow	Yes	6437.0	Scottish Exhibition Centre Ltd	Subsidiary		90.87%	£0.8m		£1,569.9m
			City Building (Glasgow) LLP	Subsidiary	Provides an integrated, responsive, effective and efficient building repair and construction service to the council.	99.99%	(£52.5m)		

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			City Building (Contracts) LLP	Subsidiary	Provides construction and repair services to local authorities , other public sector organisations and the private sector.	99.99%	£0.4m		
			Culture and Sport Glasgow	Subsidiary	The principal activities are to advance the arts, heritage, culture and science, education and health participation in sport, citizenship and community development through the provision of recreational facilities and other services.	100%	(£19.6m)		
			City Parking (Glasgow) LLP	Subsidiary	Provides secure off street parking.	99.99%	(£4.3m)		
			Cordia (Care) LLP	Subsidiary	Delivers welfare services to the council.	99.99%	£0.02m		
			Cordia (Services) LLP	Subsidiary	Delivers facilities management services including catering, building and window cleaning, janitorial services and school crossing patrol services to the council and external organisations.	99.99%	£18.2m		
			City Property Glasgow (Investments) LLP	Subsidiary	Acquires and manages the councils investment property portfolio.	99.99%	£11.3m		
			Glasgow's Regeneration Agency	Subsidiary	To reduce the gap between Glasgow and Scotland's employment rate.	99.99%	£25.8m		
			Service Glasgow LLP		Incorporated as a vehicle to support the council's business transformation by integrating property, facilities management and ICT.	50%			
			Non material interests (Subsidiaries)	Subsidiary	GCC LLP Investments Ltd; City Property (Glasgow) LLP; Glasgow City Marketing Bureau Ltd; City Markets (Glasgow) LLP; Glasgow Clyde Regeneration Ltd; Glasgow Regeneration Agency Ltd.				
			Non material interests (Other)		Glasgow Community Safety Services Ltd; Dams to Darnley Country Park Joint Committee. Continuing Education Gateway; West of Scotland Archaeology Service. SEEMIS Group LLP.				

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
Highland	Yes	1326.0	Non material interests		Caithness Heat and Power Ltd; Highland Opportunity Ltd; Pathfinder North.				£582.1m
Inverclyde	Yes	47.3	Inverclyde Leisure	Associate	Provides leisure facilities in the council area and operates sports centres, leisure centres and swimming pools owned by the council. The council's accounting treatment is based on the proportion of representatives on the company's board (5 of 11).	0% (but for accounting 45.45%)	£0.1m	£5.4m	£218.3m
			Riverside Inverclyde	Associate	Aim is to improve and regenerate the riverside area from Port Glasgow through to Greenock. The council's accounting treatment is based on the proportion of representatives on the company's board (3 of 14).	0% (but for accounting purposes 20%)	£19.0m	£0.1m	
			Clyde Muirshiel Park Authority	Not Material	The authority is a joint committee of three councils – Renfrewshire, Inverclyde and North Ayrshire. It is responsible for the management and maintenance of Clyde Muirshiel Park.	-	-	-	
			Sail Inverclyde Ltd	Not Material	Four of the eight trustees of the company are elected members, with the remainder provided by Riverside Inverclyde and Clydeport Ltd. The company manages maritime events and its objectives are to advance education and physical and mental development of young people from by providing or assisting in the provision of facilities for training in sailing and seamanship.	-	-	-	
Midlothian	No	0	Pacific Shelf 826 Ltd	Subsidiary	This company is set up for land acquisition and development, acting as a land agent and promoting economic development. The council is the sole shareholder.	100%			£191.8m

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
Moray	No	0	Moray Leisure Ltd	Associate	They provide leisure facilities for the whole of Moray. The council provide material financial assistance of £0.667m. The council has 43% voting rights.		£0.144m	£0.908m	£200.0m
			Donald Manson Edinkillie Trust Fund	Subsidiary	Three bursaries for children living in the Parish of Edinkillie in S1 as well as one for further education.	67%	£0.248m		
			Donald Manson Forres Trust Fund	Subsidiary	One bursary for a child living in the Burgh of Forres in S1.	67%	£0.059m		
			Banffshire Educational Trust	Subsidiary	Grants payable to persons resident in the former county of Banffshire for training, sports, arts and education.	50%	£0.531m		
			The Grampian Venture Capital Fund Ltd	Not Material	The council has a 20% share holding. The council has an interest but it is excluded from the group accounts as the council does not depend on the company for the provision of its statutory services.	20%			
North Ayrshire	No	0	North Ayrshire Ventures Trust	Subsidiary	To promote urban or rural regeneration projects in areas of social or economic deprivation within North Ayrshire.	100%			£335.5m
			North Ayrshire Ventures Limited	Joint Venture	To promote urban or rural regeneration projects in areas of social or economic deprivation within North Ayrshire.	50%			
			North Ayrshire Leisure Limited	Associate	Provide facilities for recreation, sport, cultural and other leisure activities. The council provide 3 of the 9 trustees. The % ownership represents the level of income provided by the council.	52.65%			
			Irvine Bay Regeneration Company	Associate	It is responsible for the regeneration of the Irvine Bay area through physical transformation. The council provides 1 elected member and 1 officer out of the 10 trustees.	50%			

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			Irvine Bay Development Company Limited	Associate	It is responsible for the regeneration of the Irvine Bay area by creating new facilities and improving existing facilities. The council provides 1 elected member and 1 officer out of the 8 trustees.	50%			
			Trust Funds	Subsidiary	Provides school prizes, maintains specified lairs within cemeteries and for the benefit of the poor.	100%			
			North Ayrshire Municipal Bank Ltd	Not Material	The bank accepts deposits from private account holders and invests resultant funds with North Ayrshire Council.				
			North Ayrshire CCTV Ltd	Not Material	A charity whose principal activity is the provision of public space CCTV monitoring. The council contributed £0.176m or 71% of the charity's turnover.				
North Lanarkshire	Yes	420.4	North Lanarkshire Leisure Ltd	Associate	This provides management services for the operation of the council's leisure facilities. The council contributed £10.944m or 54% of the running costs and accounted for the entirety of the net assets. The net surplus was £0.418m.		£3.163m	£0.418m	£789.0m
			Town Centre Activities Ltd	Associate	This operates and monitors CCTV systems. This is a charity independent of the council under law and taxation. The council has no shares or ownership. The council contributed £1.975m or 91% of running costs and accounted for the entirety of the net assets of £1.082m.	0%	£1.082m	£0.137m	
			The Campsie Centre Cumbernauld	Subsidiary		100%			
			Fusion Assets Ltd	Subsidiary		100%			

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			Amey Public Services LLP	Joint Venture	The company assumes responsibility for the council's roads and lighting maintenance contract works. The council entered into payment of £14.880m or 81.1% of the company's turnover. The council accounted for 33% of the net assets of £0.155m within the group balance sheet.	33%	£0.155m*		
			Morrison Scotland LLP	Joint Venture	The company is responsible for the delivery of the council's housing and property maintenance arrangements. The council's 33% share does not carry voting rights. The council entered into payment of £29.979m or 95% of the annual turnover. Net liabilities of £2.311m have been recognised within the Group Balance Sheet	33%	(£2.311m)*		
			Saltire Facilities Management	Joint Venture	Responsible for gas heating contract works. The council entered into payments of £12.260m or 62.5% of the company's annual turnover. The council accounted for 33% of net assets of £0.169m.	33%	£0.169m*		
			Glasgow and Clyde Valley Structure Plan Joint Committee	Not material	Covers 8 councils. Responsible for strategic planning matters in the area. The council contributed £0.081m representing 5.73% of the organisation's estimated running costs.				
			Morrison Scotland (Services) Ltd		Formerly called Maintenance and Property Care Ltd				
			New Lanarkshire Ltd		Purpose to promote civic pride in Lanarkshire in partnership with public and private bodies. The council holds shares in this trading company and is represented on the board.				
			Greenhead Moss Community Trust		Charitable company to improve, protect and manage Greenhead Moss. The council holds shares in this trading company and is represented on the board.				

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			Environmental Key Fund		To provide grants to community organisations undertaking environmental projects. The council holds shares in this trading company and is represented on the board.				
			West Of Scotland Loan Fund		Partnership of authorities within the former Strathclyde Regional council to encourage the creation and growth of small businesses. The council holds shares in this trading company and is represented on the board.				
			Amey Roads (North Lanarkshire) Ltd						
			North Lanarkshire Municipal Bank Ltd						
			The Time Capsule (Monklands) Trust Ltd						
			Walker Profiles Ltd						
Orkney Islands	No	0	Orkney Ferries Ltd	Subsidiary	Provides sea transport to the north and South Isles of Orkney. The council contributed £6.847m or 72.4% of turnover. Any surpluses are recovered by the council.	100%	£1.047m		£77.4m
			Orkney Towage Company	Subsidiary	Operates tugs within the Orkney area. Council holds 6 of 9 board member seats. The council contributed £0.973m or 75.7% of the turnover.	100%	£2.931m		
			Pickaquoy Centre Trust	Subsidiary	Provides leisure facilities for recreation, sport and culture in Orkney. The council contributed £0.67m or 49.4% of its turnover. The council holds 5 of 11 seats on the board.		£0.221m	£1.355m	
			Orkney Meat Limited	Not Material					
			Orkney Cheese Company Ltd	Not Material					
			Orkney Herring Company Ltd	Not Material					
			Hummars Hill Energy Ltd	Not Material					

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			Orkney Islands Property Development Ltd	Not Material					
			Weyland Farms Ltd	Not Material					
			HiTrans	Not Material					
Perth & Kinross	No	0	Live Active Leisure Ltd	Subsidiary		100%			£331.5m
			Horsecross Arts Ltd	Subsidiary		100%			
			Tayside Contracts Joint Committee		Jointly administered and controlled with Dundee City and Angus councils.	35.5%			
Renfrewshire	No	0	Renfrewshire Leisure Trust	Associate	The charity provides leisure facilities to the general public and ten leisure centres. The council does not have a controlling interest.	41.7%	(£0.2m)	£8.3m	£404.4m
			Cart Corridor Joint Venture Company Ltd	Joint Venture	Formed by the council, Scottish Enterprise and KUC Properties Ltd to facilitate the regeneration of the strategic corridor between Paisley town centre and Glasgow airport. The council holds 93% of the preference share capital and 45% of the ordinary share capital. The councils share of the net assets and liabilities is calculated base on the council's proportionate ordinary shareholding. The company disclosed a net loss of £0.563m and its balance sheet a negative net worth of £0.586m.	45%	(£0.6m)		
			Park Land Developments Ltd	Joint Venture	Formed by the council and Park Lane Real Estate Ltd to facilitate regeneration of Paisley town centre through the transformation of the former Arnotts store for mixed use. The council holds 50% of the share capital. The council's share of the net assets and liabilities is calculated base on the council's proportionate ordinary shareholding. Net profit of £0.031m and net worth of £0.067m.	50%	£0.1m		

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			Clyde Muirshield Park Authority	Not Material	Joint committee between the council, Inverclyde and North Ayrshire responsible for the management and maintenance of the park. The council contributed 60.7% (£0.642m) of the estimated running costs.				
			Glasgow and the Clyde Valley Strategic Development Planning Authority Joint Committee	Not Material	For the implementation of the new planning system in Scotland. The committee covers 8 council areas. The council contributed 12.5% (£0.081m) of the estimated running costs.				
			Continuing Education Gateway	Not Material	11 councils in the west of Scotland for the further provision of careers and educational guidance services. Provides 8.04% (£0.033m) of the estimated running costs.				
			West of Scotland Archaeology Service	Not Material	11 councils committee and Historic Scotland. Provides archaeology related planning advice. The council contributed £0.013m representing 9% of the committees estimated running costs.				
			West of Scotland European Forum	Not Material	To develop positive links between communities of the region and the European Union. The council provided 5.7% (£0.004m) of the estimated running costs.				
Scottish Borders	No	0	Borders Sport and Leisure Trust	Associate	Manages sports and leisure facilities across sites except Jedburgh. The council has 3 councillors on the trust board of 24. Net operating surplus of £358,618; 21.4% share results in £76,744 being consolidated.	21.4%			£267.1m
			Jedburgh Leisure Facilities Trust	Associate	Delivers sports and leisure facilities in Jedburgh. The council make up one of the nine members. Net operating result was a surplus of £2,307; £256 consolidated.	11.1%			

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
Shetland Islands	No	0	Shetland Charitable Trust	Subsidiary	22 of 24 trustees are councillors.				£76.8m
			Shetland Towage	Subsidiary	Not currently operating or holding significant assets.				
			Shetland Development Trust	Subsidiary	100% voting rights.				
South Ayrshire	No	0	Ayr Renaissance	Associate	Delivers the council's regeneration strategy for Ayr Town Centre. It is made up of the council and SAC (LLP Nominees) Ltd, a nominee company wholly owned by the council. The council makes up 4 of 9 board members. Running costs are met by the council; £0.182m.	99.999 %			£262.0m
South Lanarkshire	Yes	224.0	South Lanarkshire Leisure and Culture		Culture services transferred from the council to South Lanarkshire Leisure trust in 2010. It is entirely independent of the council under law and for taxation purposes. Council has 33.33% representation and share of year end net assets.	33.3%	£0.581m		£707.0m
			Regen:FX Youth Trust Limited		The trust develops and coordinates out of school diversion activities. It is entirely independent of the council under law and for taxation purposes. The council has neither shares nor ownership of the trust. The council has 36.6% representation on the board of directors and share of year-end net assets.	36.36%	£0.009m		
			Clyde Valley Learning and Development Partnership Joint Committee		Provides procurement of training activities to each of its member councils. South Lanarkshire is the lead council for the project with 12.5% of the membership.				
			West of Scotland European Forum	Not Material	Joint Forum to develop positive links between the communities of the region and the institutions of the EU. 11.89% contribution to running costs.				
			West of Scotland Archaeology Service	Not Material	Joint service for planning related archaeology advice. 11.86% contribution to running costs.				

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			Continuing Education Gateway	Not Material	Consortium of 11 councils in the West of Scotland formed to further the provision of careers and educational guidance services. 13.91% contribution to running costs.				
			Glasgow and Clyde Valley Strategic Development Planning Authority	Not Material	12.5% contribution to the running costs.				
Stirling	No	0	Stirling Business Centre	Subsidiary	91.45% voting rights.				£212.7m
			Stirling Enterprise and Economic Development Company Ltd	Subsidiary	100% voting rights.				
			Stirling Technology Projects Ltd	Subsidiary	100% voting rights.				
			Venture Forth Ltd	Subsidiary	86.7% voting rights.				
			Active Stirling Ltd	Subsidiary	47.1% voting rights.				
			Stirling Development Agency Ltd	Joint Venture	50% voting rights.				
			Stirling University Innovation Park Ltd	Joint Venture	50% voting rights.				
			Forth Valley GIS Ltd	Associate	33.3% voting rights. This is a limited company of which the Council, Stirling Council and Falkirk Council are equal shareholders.				
			Raploch Urban Regeneration Company	Associate	42.9% voting rights.				
			Raploch URC Landholdings Ltd	Associate	42.9% voting rights				
			Stirling District Tourism Ltd	Associate	42.9% voting rights				
			City of Stirling Business Park Ltd		In 2011/12 sold its shareholding which was formerly consolidated as a 50% joint venture.				

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			Stirling Enterprise Park Ltd and Stirling Enterprise Ltd	Not Material	The council does not have majority of voting rights (3 out of 8 directors, 37.5%). In the event of a poll the council would have ultimate control being the major shareholder. Stirling Enterprise is Stirling Enterprise Park's whole owned subsidiary.				
			McLaren Community Leisure Centre (Trading) Ltd	Not material	A wholly owned subsidiary of McLaren Community Leisure Centre. The council is one of the eight directors.				
West Dunbartonshire	Yes	166.3	Clydebank Municipal Bank	Not Material	Acts as banker for a number of private individuals/organisations. The council provides services to the bank and funds any annual losses incurred.				£238.2m
			Clydebank Re-built	Not Material	Pathfinder urban regeneration company, limited by guarantee and a registered charity. Receives financial support from Scottish Government, Scottish Enterprise and the council. Council contributes £2.561m.				
West Lothian	No	0	Visit West Lothian Limited	Not Material	To promote West Lothian as a visitor destination. Net assets of £26,118.				£388.4m
			West of Scotland Archaeology Service	Not Material	Funded by 11 local authorities and Historic Scotland. Planning related archaeology advice. The council contributes £12,691 (8.6%) of the committee's running costs.				
			West Lothian Municipal Bank Limited	Not Material	Savings bank. Members of the council are the sole shareholders and directors of the company.				
			WL Ventures Group Limited	Not Material	Set up to promote industry and commerce within West Lothian. The council has a right to nominate 6 members and directors. Net assets of £495,000				
			West Lothian Enterprise Limited	Not Material	It manages funds designed for investments in industrial and commercial businesses to promote economic development. Company commenced 2010/11. Net liabilities £7,007				

Council	Has the council transferred staff to ALEOs?	If yes, no of staff transferred out (FTE)	ALEO	Nature	Business	Council ownership	Net Assets/ (Liabilities) of ALEO	Turnover for the year	Net revenue spend by council
			West Lothian Housing Partnership Limited	Not Material	It's a registered charity with contractual registration with SHR. Develops and operates new housing for rent. The provision of finance and insurance support previously provided by the council is now undertaken in-house by the partnership. There is no longer requirement for five council nominations and no funding is provided by the council.				
			West Lothian Leisure Ltd	Associate	Leisure Trust.	22.14%	£0.296m	£0.012m *	
			West Lothian Recycling Ltd	Joint Venture		50%	£0.146m	£0.036m *	
Total	15	10,187.77							

APPENDIX 2: SUMMARY OF COMMISSION POWERS IN RELATION TO THE SCRUTINY OF ALEOS

This table sets out a high level summary of the audit powers the Commission has in respect of ALEOs and shows how such powers compare against the powers the Commission has in respect of local authorities.

Statutory Power Applicable to Local Authority	Can this power be applied to ALEOs?	Reasons and Conditions
<p>1. <u>Sections 96(1) and 106(1) of the Local Government (Scotland) Act 1973 (“the 1973 Act”)</u></p> <p>Power to audit the accounts of :</p> <ul style="list-style-type: none"> • every local authority; • any committee, joint committee or joint board, all members of which are appointed by one or more local authorities; and • the trustees of a charity or foundation where a local authority, or some members of a local authority, are the sole trustees. 	No	We are not aware of any ALEO that is constituted as a wholly owned joint board or a charity to which this direct power to audit would apply.
<p>2. <u>Section 97A of the 1973 Act</u></p> <p>Power of the Commission to promote studies to enable it to make recommendations for:</p> <ul style="list-style-type: none"> • securing best value by local authorities • improving economy, efficiency and effectiveness by local authorities • improving financial management of local authorities and other auditable bodies. <p>The Commission can publish its recommendations and results of studies.</p> <p>The Commission must consult local authorities or other auditable bodies.</p>	Yes	<p>There is no restriction on the nature of the studies and therefore the Commission can consider ALEOs as part of the study.</p> <p>Condition: The Commission can only make recommendations in the context of local authority performance so any comments on an ALEO must be related to local authority performance.</p>
<p>3. <u>Section 97B of the 1973 Act</u></p> <p>Power of the Commission to furnish information and documents from:</p> <ul style="list-style-type: none"> • bodies audited; and • any person who is discharging any function of the body audited. <p>Any person who, without reasonable excuse, fails to furnish the Commission with information shall be liable on summary conviction to a fine not exceeding level 3 of the standard scale.</p>	Yes	<p>ALEOs discharge functions of a local authority.</p> <p>Condition: The Commission can only request information from ALEOs which is reasonably required by them in the context of auditing local authorities.</p>

Statutory Power Applicable to Local Authority	Can this power be applied to ALEOs?	Reasons and Conditions
<p><u>4. Section 100 (1) of the 1973 Act</u> Power of the Commission to require any document necessary to examine the accounts of a local authority from an officer of that authority or any other person holding such document.</p> <p><u>Section 100 (1B) of the 1973 Act</u> Power of an auditor to seek access to information and documents from:</p> <ul style="list-style-type: none"> • bodies audited; and • any person who is discharging any function of the body audited. <p>Power to require any officer, former officer, member, former member, or corporate representative to attend before him in person to give the information or explanation.</p> <p>If any person wilfully or negligently fails to comply with an auditors request for access, they shall be guilty of an offence and shall be liable on summary conviction to a fine not exceeding level 3 on the standard scale.</p>	Yes	<p>ALEOs discharge functions of a local authority and this is a wide power to require any information the Commission / auditor deems necessary.</p> <p>Condition: any reporting resulting from the use of such information must be related back to performance of the council.</p>
<p><u>5. Sections 102(1) and (2) of the 1973 Act</u> Power of the Controller of Audit to make reports on:</p> <ul style="list-style-type: none"> • the accounts of local authorities; • any matters arising from such accounts; and • the performance of a local authority of their duties regarding “best value and accountability” and “community planning”. <p>The Controller is obliged to send a copy of the report to the local authority, but they can also send a copy of the report to any other person they think fit.</p>	Yes	<p>If an ALEO is poorly governed the Controller would be able to report on it on the basis that the local authority’s use of the ALEO does not constitute “best value and accountability” or effective “community planning”.</p> <p>The Controller can send copies of reports to ALEOs, effectively reporting to ALEOs on their performance.</p> <p>Condition: In using this power the performance of the ALEO should always be linked back to the impact on the duties of the local authority.</p>
<p><u>6. Sections 3 and 4 of the Local Government in Scotland Act 2003 (“the 2003 Act”)</u> Power of the Commission to hold a hearing following receipt of a report from the Controller.</p> <p>The procedures to be applied to these hearings are set out in Sections 103B and 103C of the 1973 Act, which are considered further below.</p>	Yes	<p>An ALEO may be required to attend a hearing and give evidence, as the provisions refer to “any person” and not just local authorities</p> <p>Condition: The ALEO’s involvement in a hearing must be relevant to the impact of the ALEO on the duties of the local authority.</p>

Statutory Power Applicable to Local Authority	Can this power be applied to ALEOs?	Reasons and Conditions
<p><u>7. Section 4 of the 2003 Act</u> Power of the Commission to make findings, either on receipt of a report or following a hearing. The Commission's findings can include recommendations to the Scottish Ministers. The Commission shall give a copy of their findings to any member or officer of a local authority who was named in the report. A copy of findings can be given to any other person which the Commission considers should receive a copy.</p>	Yes	<p>The Commission can issue findings regarding an ALEO, as an ALEO may be involved in both reporting and hearings. The Commission may also issue a copy of their findings to an ALEO. Condition: The findings must be relevant to the impact of the ALEO on the duties of the local authority.</p>
<p><u>8. Section 5 of the 2003 Act</u> Local authorities are obliged to consider the findings of the Commission in accordance with the process under the 1973 Act (as described below).</p>	No	<p>Only a local authority is obliged to consider or action the Commission's findings.</p>
<p><u>9. Sections 102(3), 102(3A) and 102(4) of the 1973 Act</u> Power of the Controller to make a special report if they are of the opinion that:</p> <ul style="list-style-type: none"> • any item on account is contrary to law; • there has been a failure on the part of any person to bring into account any sum which ought to have been brought into account; • loss has been incurred by the negligence or misconduct of any person or by the failure of the authority to carry out any duty; • sums have been incorrectly debited or credited; and • the local authority has not taken any steps to remedy. <p>The Controller is obliged to send a copy of the report to the local authority and any officer of the authority involved, but they can also send a copy of the report to any other person they think may be affected.</p>	Yes	<p>ALEOs fall within the scope of this power as reference is made throughout to "any person" and not just local authorities. If an ALEO is named to be at fault in a proposed special report, the Controller is obliged to provide them with a copy of this and to seek their comments. The Controller may also choose to send a copy of a final special report to an ALEO. Condition: This process is derived from the general powers to audit set out in the 1973 Act and so any comments in it must be relevant to the impact of the ALEO on the duties of the local authority.</p>
<p><u>10. Sections 103B and 103C of the 1973 Act</u> Power of the Commission to hold a hearing following receipt of a report or a special report. The Commission may require any person to attend the hearing, give evidence and produce documents. The hearings of the Commission are to be held in public.</p>	Yes	<p>An ALEO may be required to attend a hearing and give evidence, as the provisions refer to "any person" and not just to local authorities. Condition: This process is derived from the general powers to audit set out in the 1973 Act and so the involvement of the ALEO must be relevant to the impact of the ALEO on the duties of the local authority.</p>

Statutory Power Applicable to Local Authority	Can this power be applied to ALEOs?	Reasons and Conditions
<p>11. <u>Section 103D of the 1973 Act</u> Power of the Commission to issue findings following a hearing under s.103B of the 1973 Act. The Commission are obliged to give copies of their findings to the local authority and any officer of the authority involved, but they can also send a copy to any other person they consider should receive a copy.</p>	Yes	<p>The Commission can issue findings regarding an ALEO, as an ALEO may be reported on and be heard at a hearing. The Commission may also issue a copy of their findings to an ALEO. Condition: The findings must be relevant to the impact of the ALEO on the duties of the local authority.</p>
<p>12. <u>Section 103E of the 1973 Act</u> Local authorities are obliged to hold a meeting within 3 months of receipt of the findings of a hearing in order to consider the findings. If any decisions are made following such a meeting, a notice of such decisions, approved by the Commission, shall be published. The Commission's findings may include recommendations to the Scottish Ministers.</p>	No	<p>The wording of these provisions only refers to local authorities or officers / members of local authorities. The Commission could, in its findings, require the local authority to take action to rectify issues within the ALEO however the authority's ability to do so will depend on the level of control the authority has over the ALEO.</p>
<p>13. <u>Section 103F of the 1973 Act</u> This section relates to enforcing the Commission's findings following a special report hearing. If the Commission make any findings of failure, negligence or misconduct, the Commission has the power to impose the sanctions of censure, suspension or disqualification against any officer or member of a local authority. The Commission's findings may include recommendations to the Scottish Ministers.</p>	No	<p>The wording of these provisions only refers to local authorities or officers / members of local authorities. There is no scope for the Commission to apply these sanctions to an officer or member of an ALEO who is not also an officer or member of the local authority.</p>

Argyll and Bute Council

Statutory report

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Part 1. Introduction	2
Best Value.....	2
The scope of the audit.....	2
About this audit report	3
Part 2. Summary	4
Part 3. Context	6
Argyll and Bute.....	6
Political groupings	7
Decision-making and governance arrangements.....	9
Management structure	10
Part 4. Timeline of events	11
2010 and 2011	11
2012.....	13
2013.....	19
Part 5. Audit assessment	23
Councillors at Argyll and Bute Council are not providing collective strategic leadership for the council and its communities.....	23
The council recognises that governance arrangements need to improve to support a more positive political culture	26
Working relationships between a few councillors and officers are difficult at times and the political instability is putting a strain on senior management capacity	31
The political instability is beginning to inhibit development of strategic planning.....	36
There is wide recognition of the need to improve	39

Part 1. Introduction

Best Value

1. The Local Government in Scotland Act 2003 introduced the statutory duty of Best Value in local government. In response, the Accounts Commission began the audit of Best Value and Community Planning. Since then we have published Best Value (BV) audit reports on all 32 councils in Scotland. The [first BV report](#) about Argyll and Bute Council was published in February 2006 and a [progress report](#) was published in December 2008.
2. The next phase of BV audits are carried out and reported under the same legislation but the approach has moved on considerably from the 32 baseline audits. In particular, the audits are based on a shared risk assessment carried out with colleagues from other local government inspectorates that form a Local Area Network (LAN). These BV audits are focused on the particular risks and the issues faced by individual councils.
3. The LAN produced the first Assurance and Improvement Plan (AIP) for Argyll and Bute Council in 2010. The LAN has subsequently produced updated AIPs each year. The AIP sets out the planned scrutiny activity for the council for a three-year period. In the three AIPs produced in 2010, 2011 and 2012, the shared risk assessment identified and planned no BV audit work at Argyll and Bute Council.

The scope of the audit

4. The [AIP for 2013-2016](#), identified that scrutiny was required on some aspects of Argyll and Bute Council's leadership and culture, specifically the effectiveness of councillor to councillor and councillor to officer working relationships. This is the focus of this targeted BV audit work.
5. The audit team carried out the audit work between May and August 2013. The scoping work was completed in May 2013 and the team carried out interviews, observations and focus groups at the council in June 2013.
6. During the onsite work the team interviewed nine councillors, five council officers and the independent chairpersons of the council's Audit Committee and Performance Review and Scrutiny Committee. The team also held two focus groups with councillors and observed six meetings.
7. In addition to this BV audit work Audit Scotland is also reviewing the sale of two council properties. In February 2013, Argyll and Bute Council asked us to investigate some issues regarding the council's dealings with an external company, Actual Reality Learning and Leadership Limited (now Actual Reality Trust). It was not appropriate to carry out work on all of the issues raised but the sale of two council properties, Castle Toward and Ardentenny, were reviewed as part of the 2012/13 annual audit. The findings will be reported in the Annual Audit Report to the Controller of Audit and to members of the council. This report will be issued to the Controller of Audit and the council by the end of October 2013.

About this audit report

8. My decision as Controller of Audit is to make a statutory report under Section 102(1)(b) of the Local Government (Scotland) Act 1973. This provides for the Controller of Audit to make reports to the Commission about any matters arising from the accounts of local authorities, or the auditing of those accounts, that I think should be considered by the local authority or brought to the attention of the public.
9. This report is made up of four further sections:
 - Part 2, the summary, pulls together key points from the report and my overall assessment from the audit work.
 - Part 3, the context, provides information about the area, the political make-up of the council and the governance structures.
 - Part 4, the timeline, sets out some of the main events, illustrating the range of issues and challenges at the council.
 - Part 5, the audit assessment, sets out my judgements on the political culture, the political governance arrangements and working relationships. It considers the effect the instability is having on the council and how the council is trying to make improvements.
10. Many of the issues highlighted in this audit report reflect the themes and conclusions of the Accounts Commission's report [How Councils Work: Roles and working relationships: Are you getting it right?](#) published in August 2010. I have therefore used a number of quotes from the report to help set the context for the judgements made.
11. I gratefully acknowledge the cooperation and assistance provided to the audit team by the chief executive, Sally Loudon, the leader of the council at the time of the audit work Councillor Roderick McCuish, the lay-chairpersons who met with members of the team as part of the audit, and all other councillors and staff involved.

Part 2. Summary

The political instability in Argyll and Bute Council means that there is a lack of collective strategic leadership by councillors. The council's current political management arrangements are contributing to the problems rather than helping the council do business effectively.

Working relationships between councillors and between a few councillors and officers are strained and the challenges facing the council are affecting the capacity of senior managers.

The problems are not yet affecting frontline services, but they are beginning to inhibit progress with strategic planning and there is a risk that services may suffer in the future if the current difficulties are not addressed.

There is widespread acceptance within the council that the current situation is not sustainable and that rapid improvement is needed. This acceptance is an important foundation on which to build.

13. Argyll and Bute Council is lacking collective strategic leadership from its councillors and without rapid improvement, there is a risk that it will find it difficult to deliver its priorities for its communities.
14. Since the 2012 election, there has been increasing instability in the political dynamics of the council and there has been a lack of consistent political leadership. For example, in addition to the change of leader immediately following the 2012 election there have been two further changes of leader in one year. From May 2013, until the time of writing this report in September 2013, the council had no depute leader and there was no clear administration. The council very recently established a new administration in September 2013.
15. Changes in political groupings, as well as shifting allegiances across and within these groups, are exacerbating a culture of mistrust and putting a strain on working relationships.
16. A range of factors have contributed to increased tensions over the past few years and in particular since the May 2012 election.
 - Strong local area identities and different local priorities with increased pressure on strategic spending priorities has increased the tension for councillors in fulfilling their roles as strategic leaders and local representatives.
 - Difficult decisions on emotive issues have proven divisive, and in the process have damaged the trust between councillors and between a few councillors and officers.
 - Although councillors behave appropriately in public meetings, they also describe behaviours outside the chamber as less positive and this reinforces a sense of mistrust amongst them.
 - Tensions between newer and established councillors are evident.

17. The council's political management arrangements have contributed to, rather than helped the difficulties with the political culture. Changes made following the 2012 election have not been effective. The workload for full council meetings is not sustainable, with all policy development and decision-making made through the full council.
18. Strategic scrutiny is not effective, progress on developing the council's Performance Review and Scrutiny Committee has been slow and there is limited scrutiny of service performance by the full council. Councillors do not have a common understanding of their scrutiny role and how that should work in practice.
19. Working relationships between some councillors and officers are also difficult at times, although particularly challenging relationships are confined to a small number of people. The capacity of senior managers is strained by this and the combination of challenges currently facing the council.
20. Senior officers need to consider what further they can do to ensure they are effectively supporting councillors to fulfil their roles and responsibilities. This includes how they support councillors to make the difficult decisions that lie ahead. This will require councillors to have a clear understanding of their respective roles and responsibilities and for officers to ensure that councillors get the information, guidance and support they need.
21. The problems are not yet affecting frontline services, but they are beginning to inhibit progress with strategic planning and there is a risk that services may suffer if the current difficulties are not addressed. The council recognises that continued instability and tensions could have a negative effect on strategic planning, service planning, service performance and outcomes as well as staff morale and the reputation of the council. It is less clear whether at an individual level councillors and officers recognise their own individual roles in addressing the problems.
22. The council recognises the seriousness of the current situation. It is in the process of developing new political management arrangements. It is introducing a training and development programme to support councillors and it has commissioned external support from the Improvement Service. It is also in discussion with other external sources of support.
23. It is clear that the current situation is not sustainable and it is important that councillors and officers work together to address the difficulties to ensure that the council can deliver for the people of Argyll and Bute.

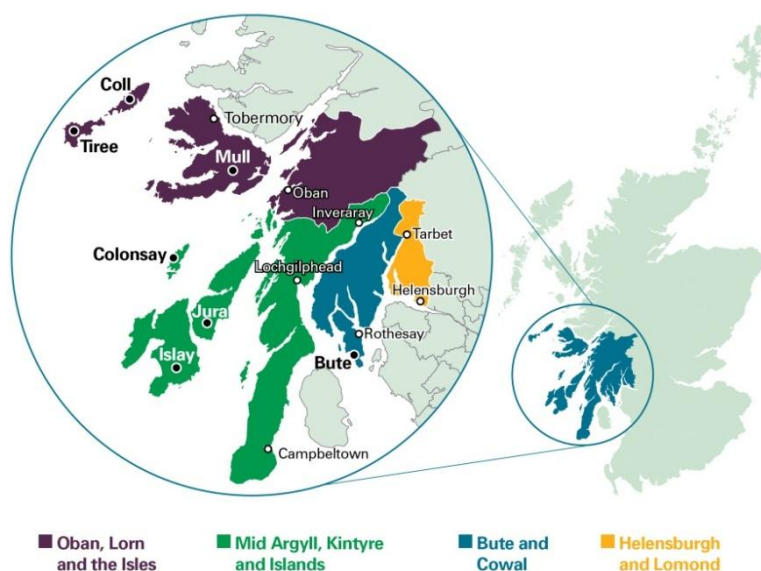
Part 3. Context

Argyll and Bute

24. Argyll and Bute is Scotland's second largest local authority area and the third most sparsely populated. It has a relatively small population of 89,590 dispersed across six main towns and many remote, rural and small communities, including 25 inhabited islands. The geography and demographics present specific challenges to the council in terms of supporting and sustaining its many communities. The population profile is ageing and the area had the highest rate of depopulation in Scotland at -3.4 per cent between 2001 and 2011¹. The number of older people is expected to increase by 20 per cent and the proportion of children and working age population are projected to decrease by almost 14 per cent by between 2010 and 2035².
25. Transport links are an important part of the context of the area. Approximately 17 per cent of the population rely on ferry services. The size of the area and the absence of an extensive rail network also mean that a significant proportion of the population is dependent on the road network.
26. The council has four administrative areas; Oban, Lorn and The Isles, Mid Argyll, Kintyre and Islands, Bute and Cowal and Helensburgh and Lomond ([Exhibit 1](#)). Each has an area committee that meets approximately bi-monthly.

Exhibit 1

Map of Argyll and Bute Council's Administrative Areas



Source: Audit Scotland

¹ [Percentage change in total population by council area](#) (2001 to 2011), National Records of Scotland

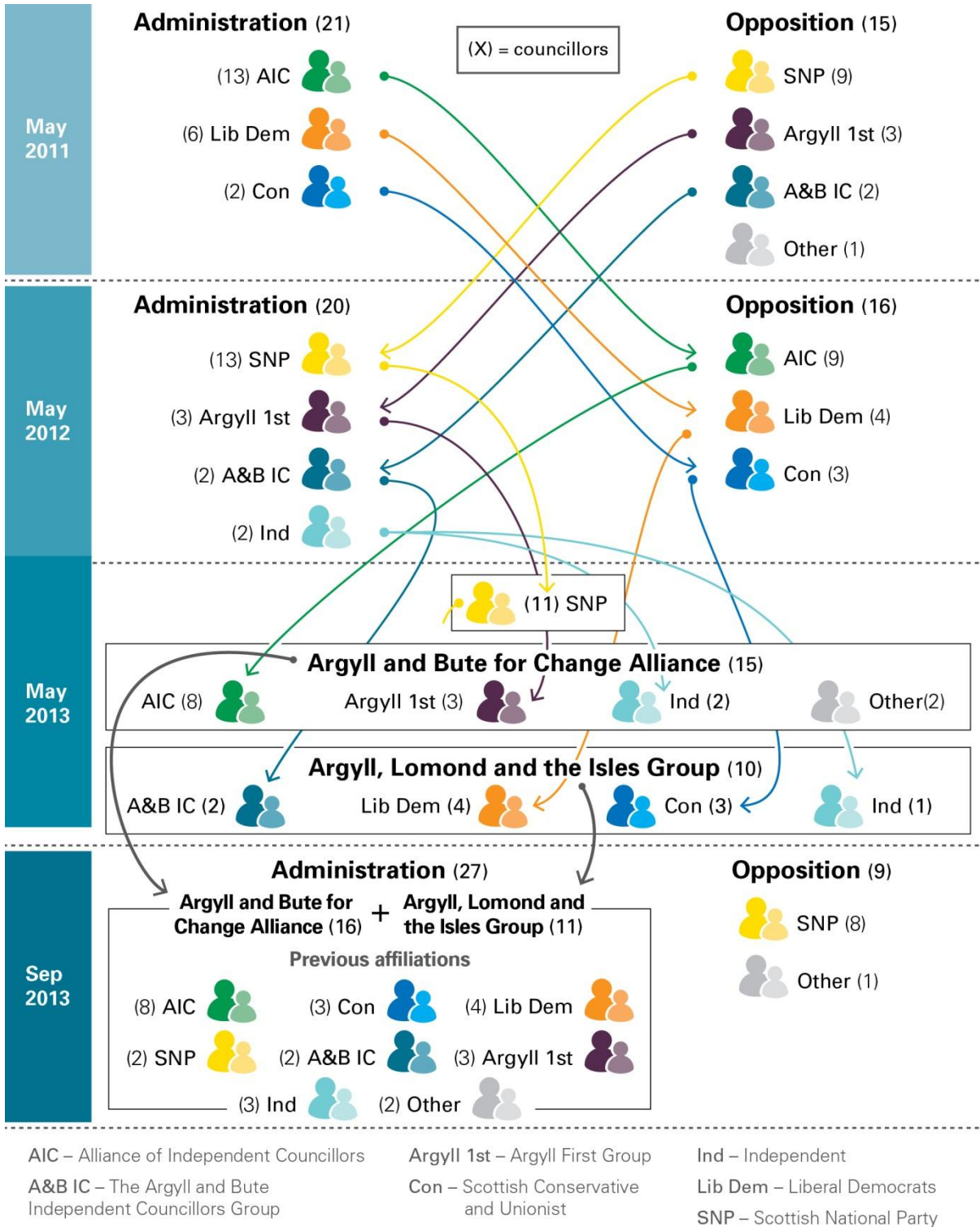
² [Population Projections for Scottish Areas](#) (2010-based), General Register Office for Scotland

Political groupings

27. The council has 36 councillors representing the people of Argyll and Bute across 11 wards and through the four administrative areas.
28. The political make-up of the council has undergone significant changes between 2007 and 2013.
29. Following the May 2007 local government elections, the council was led by a coalition of SNP and the Alliance of Independent Councillors. In December 2010, a new administration was formed between the Alliance of Independent Councillors, the Scottish Liberal Democrats and Conservatives, following the SNP group's decision not to support a motion by the Alliance to consult on the closure of 25 primary schools.
30. The May 2012 local government elections resulted in a coalition administration of SNP, Argyll First Group, Argyll and Bute Independent Councillors and two Independent Councillors. The opposition was led by the Alliance of Independent Councillors, Liberal Democrats and Conservatives. However, following two resignations from the SNP group in April 2013 and three resignations from the Argyll First Group in May 2013, the administration dissolved. At the time of our audit in June 2013, the council did not have a stable administration in place.
31. At the full council meeting on the 26th of September 2013, a new administration, leader and depute were approved. The new administration consists of the Argyll and Bute For Change Alliance in partnership with the Argyll Lomond and the Isles Group. The total number of councillors aligned with this administration is 27. The opposition includes eight SNP councillors and one non-affiliated councillor.
32. [Exhibit 2](#) illustrates the political make-up of the council in May 2011, following the 2012 election, May 2013 and September 2013. The previous affiliations of the councillors making up the new administration are included for information in the exhibit.

Exhibit 2

Political make up May 2011, May 2012, May 2013 and September 2013



Source: Audit Scotland

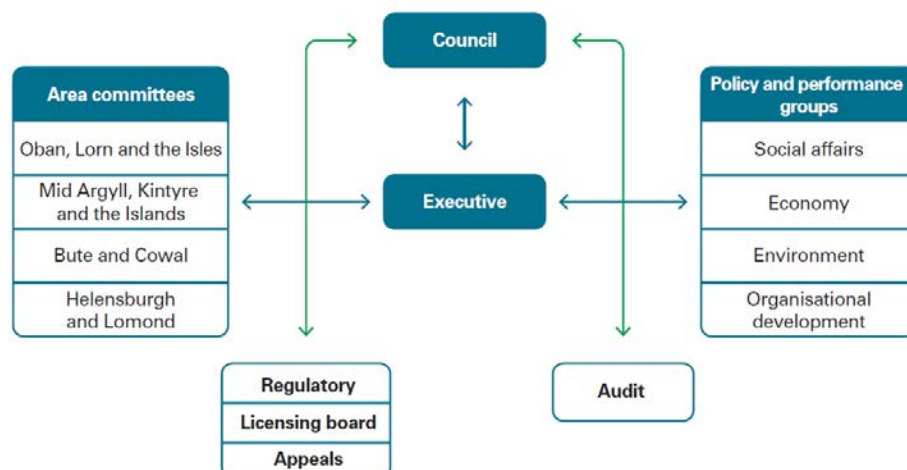
33. The council has included a significant proportion of new councillors between 2007 and 2012. Following the 2007 local government elections, 13 councillors were new to the council. A further ten councillors were new following the 2012 elections.
34. The council has ten lead councillors, representing different portfolio areas across the council. The thematic portfolios reflect council functions such as environment, development and infrastructure, adult care, community, culture and strategic housing, education and lifelong learning.

Decision-making and governance arrangements

35. Exhibit 3, below, shows the governance arrangements between December 2007 and June 2012. The council used an executive model and full council and executive meetings were held on a monthly basis. The Executive Committee included sixteen councillors, twelve from the administration and four from the opposition. In addition, the executive included five non-councillor representatives, representing education and religion, with voting rights only on these matters. The structure also included an Audit Committee, four policy and performance groups (with thematic remits of the economy, the environment, social affairs and organisational development) and four area committees.

Exhibit 3

Pre 2012 elections political governance structure



Source: Argyll and Bute Council

36. In June 2012, the Executive Committee was discontinued, with powers previously delegated to this committee reverting to the full council, which continues to meet on a monthly basis. The remits of the four policy and performance groups also reverted to the full council and to a new Performance Review and Scrutiny Committee (PRS Committee). The council agreed the PRS would be chaired by an independent, non-councillor, similar to existing Audit Committee arrangements.
37. Exhibit 4 shows the council's current governance arrangements. In June 2013, the council agreed to set up a short life working group to review the current political management

arrangements. The findings of this group were due to be reported to full council in August 2013. Progress reports were made at the council meetings in August and September. The September report stated that the working group had not yet completed its work and that it planned to report its findings to full council in October 2013.

Exhibit 4

Post 2012 elections Governance Structure



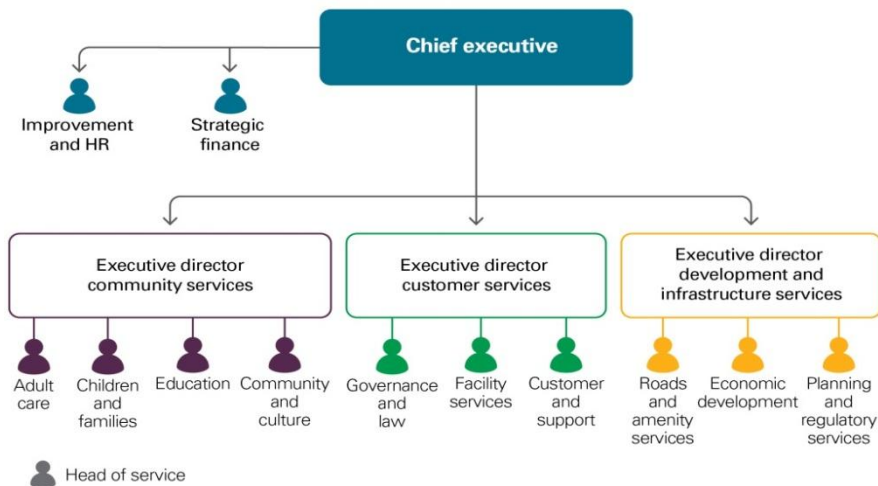
Source: Audit Scotland

Management structure

38. In September 2008, the council appointed a new chief executive. In 2010 a significant restructuring exercise was implemented, replacing the four strategic directors with three executive directors. The realignment of services resulted in the creation of 12 new head of service posts to replace the previous 15 posts (Exhibit 5).

Exhibit 5

Management structure



Source: Argyll and Bute Council

Part 4. Timeline of events

39. This part of the report sets out some of the main events at Argyll and Bute Council relevant to the audit in chronological order. Political changes, governance changes and other significant events are set out from 2010 to the completion of the audit work in September 2013. This section describes the timeline of relevant issues at the council as a background for the following section, which details the audit assessment.

2010 and 2011

Political leadership

40. In December 2010 the council's political composition changed from a coalition between the Alliance of Independent Councillors (AIC) and the SNP to a partnership between the AIC and the Liberal Democrat and Conservative groups, following the SNP group's decision not to support a motion by the AIC to consult on the closure of 25 primary schools. In January 2011, a new political group, The Argyll and Bute Independent Councillors Group was formed, which comprised of two former AIC councillors.

Governance arrangements

41. In April 2011 the Executive agreed to set up a short life working group to review the political management arrangements. The working group was intended to include; the leader, depute leader and six other councillors (three from the administration and three from the opposition groups). Only one opposition councillor was nominated to attend this group. The first meeting was scheduled for June 2011, however, it did not take place until August 2011. The group subsequently met in October 2011, December 2011 and April 2012.
42. In August 2011, a councillor tendered their resignation from the AIC and became a member of the SNP group.

Other events

43. In April 2010 the council implemented a new management structure, reducing the number of directors from four to three executive directors.
44. During 2010 and 2011 the council was also subject to scrutiny and inspection activity. This included a homeless inspection in February 2010, which assessed the council as 'fair' and highlighted that access to temporary accommodation and waiting times for permanent accommodation required improvement. A social work services inspection, reported in March 2011, concluded that social work services were at moderate risk, with adequate performance and improvement activity.
45. The council was also subject to a Best Value follow-up review in November 2010 which was broadly positive. However, it highlighted that the council needed to ensure clear links between

the corporate plan and the single outcome agreement and document its corporate framework for evaluating budget savings options.

46. In November 2011 a by-election was held in the Oban North and Lorn ward and the seat was retained by the SNP group.
47. One significant policy issue discussed by the council over the period 2010 and 2011 was the council's schools estate and potential closure of up to 25 primary schools. Councillors and officers described this in interviews as one of the issues that marked a shift in the council's culture. In part five of this report, the audit assessment, it is one of the examples referred to in relation to the damage to trust between councillors and between councillors and officers. [Exhibit 6](#) outlines the timeline of events.

Exhibit 6

Schools estate review

- In May 2010 the Executive instructed the executive director of Community Services to review the efficiency of the school estate and to identify the feasibility of reducing the number of schools in Argyll and Bute.
- In November 2010 the council considered the findings of the review, which recommended that 25 primary schools should be considered for closure. At this meeting, councillors requested verification of a range of information to support the school closure recommendations. This was presented to an additional council meeting in November 2010. At this meeting, the council agreed, by 19 to 17 votes, to a statutory consultation on the closure of the 25 primary schools.
- In November 2010 a pressure group was set up to oppose the proposed school closures. The group issued a press release claiming that the information reported to councillors at the November 2010 council meeting by officers was inaccurate. This was subsequently reported in the national press.
- In January 2011 the council held a special meeting on the school estate. At this meeting, councillors were provided with a presentation by the Scottish Rural Schools Network which questioned the validity of the information used by officers in developing the proposals for school estate review. Councillors agreed to suspend the formal consultation programme to allow the education spokesperson to review the closure proposals and to engage with a range of stakeholders on the matter.
- Also in January 2011, as a result of a leaked email exchange with councillors, Michael Russell MSP was referred to the Scottish Parliamentary Standards Commissioner over allegations that he had tried to influence the school closures programme. In February 2011 he was cleared of any wrong-doing.
- In March 2011 the council agreed to conduct pre-consultation activities with ten communities potentially affected by the schools estate review to help inform the council on whether to commence to a statutory consultation phase of the process.

Schools Estate Review (continued)

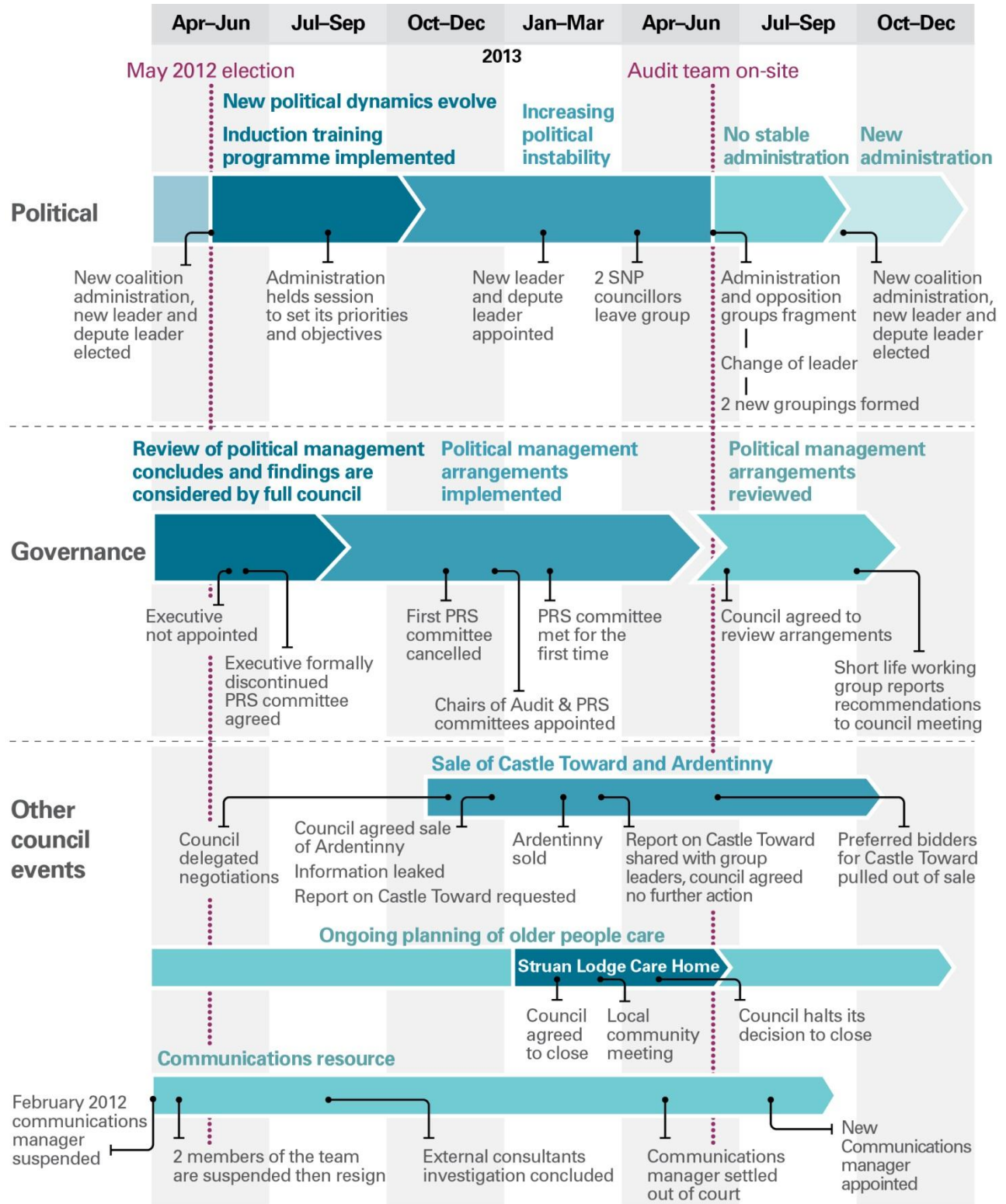
- In April 2011 the council was provided with an update on the pre-consultation activities. A report was also provided to councillors refuting allegations by the Scottish Rural Schools Network that officers misrepresented information. The council accepted the allegations were untrue and agreed to proceed to the statutory consultation phase.
- In May 2011 the Scottish Government introduced a one year moratorium on the closure of rural schools. In June 2011 the council suspended the schools closure consultation process, except for schools with no pupils.
- In July 2011 the Scottish Government and COSLA established the Commission for the Delivery of Rural Education to examine the delivery of rural education. The Commission published its findings in April 2013, resulting in 38 recommendations.
- In May 2013, the council considered the findings of the report and agreed to defer any consideration of the school estate strategy until the Scottish Government publishes statutory guidance and makes the relevant legislative changes.
- In July 2013 the Scottish Government launched a consultation which sets out policy proposals for amendments to the Schools (Consultation) (Scotland) Act 2010, in response to the Commission findings, which may require legislative change.

Source: Audit Scotland

2012

48. Exhibit 7 below outlines some of the key events and decisions that have taken place during 2012 and 2013.

Exhibit 7
Timeline



Source: Audit Scotland

Political leadership

49. The May 2012 local government elections resulted in a coalition administration of 20 councillors that included 13 SNP councillors, three Argyll First Group councillors, two Argyll and Bute Independent councillors and two Independent councillors. There were 16 opposition councillors, including the Alliance of Independent Councillors (nine members), the Conservatives (three members) and the Liberal Democrats (four members). The council agreed the leader (SNP) and depute leader (SNP). In June 2012, one councillor withdrew from the Alliance of Independent Councillors and decided to have no group affiliation.

Governance arrangements

50. In April 2012 the short life working group on political management arrangements met for the last time and reported its recommendations to the council at the first council meeting after the elections in May 2012. Consideration of these recommendations continued at the next council meeting in June 2012. At an additional council meeting in June 2012 the council agreed to discontinue the Executive and revert all its previously delegated powers to the full council, against the recommendations of the short life working group. The four policy and performance groups were not retained. The council retained the Audit Committee but also decided to establish a PRS Committee to focus on the monitoring and scrutiny of council performance, such as corporate improvement programmes, community planning projects and external inspection reports. The council also decided that area committee meetings should take place every two months, against the short life working group recommendations for the meetings to be on a quarterly basis.
51. At the council meeting in May 2012, the council adopted a revised code of conduct for councillors and employees. At the same meeting, the council agreed to continue the existing standing orders on a temporary basis to guide council and committee business.
52. At the June 2012 council meeting, the council received a performance report for financial quarter 4 (January-March 2012) for all service areas. This was the last strategic level service performance report submitted to councillors until the first meeting of the PRS Committee in February 2013.
53. In September 2012 the council made amendments to the council's constitution to reflect the decisions made about the political management arrangements in June 2012.
54. In November 2012, the first meeting of the PRS Committee was cancelled due to a number of apologies being submitted by members, which meant the meeting would not be quorate. There were also delays in appointing an independent chair and vice chair. In the same month the council set up a panel to make appointments to the PRS Committee. The appointments were made in December 2012.
55. In December 2012 the council agreed the future reporting arrangements for leader of the council and lead councillor reports to full council, which were previously considered as part of the Executive's remit. It was agreed that leader reports would be reported on a quarterly basis and that lead councillors would submit two update reports each year. The report also included

an overview from the leader for the period from October to December 2012 on leadership activities undertaken during that time.

Other events

56. During 2012, the council's communications team was not fully resourced, following the suspension of the communications manager and the resignations of two additional team members. This meant that, although additional capacity was brought in as support, senior officers were required to take direct responsibility for managing communications issues, at a time when there was significant local media interest in a number of council decisions and over the period of the May 2012 elections. [Exhibit 8](#) outlines the sequence of related events. As discussed in part five of this report, this is one of the factors that has affected senior management capacity.

Exhibit 8**Communications Team**

- In February 2012 the council's communications manager was suspended following allegations of using social media accounts to monitor what was being reported about the council online.
- Between February and April 2012 a senior communications officer was temporarily promoted to fulfil the communications manager role.
- In April 2012 two additional members of the council's communications team were suspended under a separate investigation into their conduct. The employees resigned from their posts later that month.
- Between April and June 2012 a communications consultant was employed on a temporary contract by the council to provide senior professional advice and support to the council and the communications team.
- In June 2012 the council withdrew consent for a school pupil from taking photographs of school meals which were being included in blogs about the quality of school dinners to raise money for charity. The council quickly reinstated its consent after intense media interest.
- In July 2012, two new press officers were appointed.
- In August 2012 the findings of an external consultant's investigation concluded that there was sufficient cause for the communications manager to be subject to the council's disciplinary procedure but there was no evidence of any inappropriate use of social media by any employee within the council's communications team. The communications manager was dismissed in August 2012.
- Between August and September 2012 a communications consultant was appointed on a temporary contract to provide senior professional advice and support to the council and the communications team.
- In April 2013 the communications manager took the council to an employment tribunal for unfair dismissal. The case was settled outwith the tribunal.
- In July 2013 the council appointed a new communications manager.

Source: Audit Scotland

57. One of the issues of significant local media interest and that has proven divisive within the council during 2012/13 was the disposal of two council properties, Ardentenny and Castle Toward. The events relating to this are outlined in [Exhibit 9](#).

Exhibit 9

Sale of Castle Toward and Ardentinny

Outlined below are the key events in the sale processes for two council properties, Castle Toward and Ardentinny. Both properties were run as outdoor education centres, occupied by the same not for profit company, Actual Reality Learning and Leadership Ltd (Actual Reality).

Castle Toward

- In November 2009 the council shut Castle Toward down as a residential facility, due to a number of fire and health and safety problems identified as part of an inspection conducted by the council and the fire and rescue service.
- In December 2009 the Executive Committee met to discuss the cost of bringing the facility up to a suitable standard for use. The committee recommended the sale of Castle Toward. In February 2010 the council put the property on the market and four bids were received, one of which was from the tenant of the property at that time, Actual Reality. Between January 2011 and September 2011 the Scottish Government considered and rejected an application for a community interest registration³.
- In November 2011 the Executive approved the bid assessment and the council announced the preferred bidder for the property.
- In December 2012 the full council agreed to a review of issues relating to its business dealings with Actual Reality. Amongst the issues reviewed were those relating to Castle Toward during 2009/2010 and the sale of Ardentinny. The report was shared with group leaders. In March 2013 the full council considered a report by the chief executive, reflecting the view of the group leaders. At the meeting the council decided to endorse the group leader's view that no further action was necessary by the chief executive.
- In June 2013 the preferred bidders of Castle Toward withdrew from the sale and the council decided to continue to market and dispose of the property.

Ardentinny

- In April 2012 the council's Executive Committee considered a report on the proposed sale of Ardentinny Outdoor Centre facility to Actual Reality and agreed to delegate sale negotiations to the Executive Director of Customer Services.
- In November 2012 the full council agreed to delegate further final sale negotiations to senior officers in discussion with a number of lead councillors. In December 2012 the council agreed to the sale of Ardentinny at a price supported by the District Valuer. Fourteen councillors approved the sale, 12 councillors voted to continue consideration of the matter and three councillors voted against the sale.
- In January 2013 Ardentinny was sold to the current occupants of the property, Actual Reality (which became The Actual Reality Trust in March 2013).

³ The Community Right to Buy (under Part 2 of The Land Reform (Scotland) Act 2003) provides community bodies representing rural areas in Scotland, with less than 10,000 head of population, with the opportunity to register an interest in land and buy that registered land once it is offered for sale.

Source: Audit Scotland

58. In February 2013 Audit Scotland was asked by Argyll and Bute Council to investigate some issues raised about the council's dealings with Actual Reality. Our response explained that it was not appropriate for Audit Scotland to carry out work on all of the issues raised. However, we confirmed that the sales of Castle Toward and Ardentinny would be reviewed as part of the 2012/13 annual audit. The findings will be published in the 2012/13 annual audit report.
59. We subsequently considered whether the council took appropriate steps to address the issues it raised with Audit Scotland in February. This included consideration of the report and appendices discussed at the group leaders meeting and endorsed by the council meeting in March 2013. As we would expect in such cases, this included external legal advice, sought by the council on a number of health and safety issues. On the basis of the council's considerations and decision, Audit Scotland are satisfied that appropriate steps have been taken to address the issues raised.

2013

Political leadership

60. In February 2013 the council leader and depute leader stood down, a new leader was elected and the previous council leader became the depute leader. In April 2013 two councillors left the SNP group over the council's decision to close a care home and one further SNP councillor voted against the group's decision to close the facility ([Exhibit 10](#)). This is a significant example of the range of factors contributing to the challenges in the council.

Exhibit 10

Struan Lodge care home

- In April 2008 a Special Committee for Adult Services met for the first time.
- In February 2011 the committee agreed that care home services be put to a tender process to externalise to multiple providers and to give further consideration to the withdrawal from direct provision of the service.
- In December 2012 the Special Committee considered a report on the capacity and demand for residential care homes operated or commissioned by the council.
- In January 2013 the committee agreed to progress a market test for the provision of nursing care homes and extra care housing in Argyll and Bute.
- At the same meeting the committee considered reports on two care homes, Struan Lodge and Eadar Glinn. It agreed to recommend the closure of Struan Lodge to full council due to high operating costs and excess capacity in the care home sector, locally in Dunoon and Cowal. It also agreed to continue to run Eadar Glinn and that the facility should be considered as part of the market testing exercise.
- At its budget meeting in February 2013 the council decided to begin the process of closure at Struan Lodge, 17 votes to 16, with three councillors (two SNP and one Argyll First member) abstaining from the vote.
- In March 2013 a local community meeting was held on the closure of Struan Lodge. The meeting resulted in alternatives to the closure of the care home being discussed, including challenges to information about costs and income
- In April 2013 full council considered a motion and a decision was taken to halt the closure of Struan Lodge by 21 votes to 13. Officers clarified at the council meeting that the cost and income issues discussed at the local community meeting would not materially change the savings for Struan Lodge.
- In June 2013 the Special Committee for Adult Services considered the result of the market test. A summary of issues is intended to be presented at a seminar for councillors during September 2013. After this seminar, work is planned to develop a strategic commissioning plan for adult care services, with involvement from the council, NHS, Scottish Care and local providers in Argyll and Bute.
- Following the recommendations of the Special Committee for Adult Services, the council re-affirmed its decision not to proceed with the closure of Struan Lodge in June 2013.

Source: Audit Scotland

61. In May 2013 the opposition alliance fragmented. The SNP group invited councillors from the Liberal Democrats (four members) and conservatives (three members) to join the administration alongside the existing coalition councillors. All three Argyll First councillors left the administration in principle but did not do this formally and two retained senior roles on the administration.
62. Also in May 2013, it was reported in the media that the Argyll and Bute SNP group was suspended by the SNP National Executive Committee for entering into formal coalition arrangements before seeking approval. The council leader resigned and at the May 2013 council meeting, councillors agreed to re-appoint the former leader who was initially appointed following the May 2012 elections, by 18 votes to 17. The deputy leader role, however, remained unfilled.
63. During May 2013 two new political groupings formed and councillors aligned themselves to these new groupings. These are the Argyll and Bute for Change Group (consisting of the Alliance of Independent Councillors, Argyll First councillors, three SNP councillors and three non-affiliated councillors) and the Argyll, Lomond and the Isles Group (consisting of ten councillors from the Argyll and Bute Independent Councillors Group, all Conservative and Liberal Democrat councillors and one Independent councillor).
64. At the June 2013 council meeting a motion was lodged by a member of the Argyll and Bute for Change group for that group to become the new administration. This decision was defeated by an amendment to continue with the current political management arrangements, until the findings of a short life working group on political management arrangements and structures had reported to the August 2013 full council meeting. The amendment was carried 17 votes to 14. Two councillors chose not to vote on the matter.
65. At the full council meeting on the 26th of September 2013, a new administration, leader and deputy were approved. The new administration consists of the Alliance of Independent Councillors, Argyll and Bute Independent Councillors, Argyll First Group, Conservatives, Liberal Democrats, three Independent councillors, two SNP councillors, and two non-affiliated councillors. The opposition includes eight SNP councillors and one non-affiliated councillor.

Governance arrangements

66. The PRS Committee met for the first time in February 2013. Only two out of the five councillors appointed to the committee were present at this meeting. Three non-councillor representatives attended the meeting. The council's constitution states that for the PRS and Audit Committees, non-councillors should be treated as voting members. This meant that there were more unelected representatives scrutinising council performance than councillors. At the second PRS Committee in June 2013, one councillor did not attend the meeting.
67. In June 2013 the council agreed to establish a short life working group to consider proposals for new political management arrangements and structures. At the meeting, the council also agreed to implement a new councillor development programme. This would include a continuous professional development framework for individual councillor development and the addition of further seminars and workshops to develop collective councillor capability.

68. The short life working group reported on progress to full council in August and September 2013. The reports highlighted that the group had not completed its work but that it would be in a position to report its recommendations to the October 2013 full council meeting.

Other events

69. In February 2013 Education Scotland published a report on a validated self evaluation of the council's Education Service. The report recognised the high level strengths of the service, including the engagement of elected members and senior managers in developing a shared vision for education as well as improvements in outcomes. The report also identified areas for further development but indicated a good capacity for improvement.
70. In June 2013 the council approved the new Community Planning Partnership's Single Outcome Agreement for the period 2013-2033.
71. In July 2013, the council approached the Improvement Service to provide support to improve working relationships within the council, specifically with regard to the political management arrangements and the councillor/officer relations. Work is currently underway to progress this.
72. In September 2013, the Care Inspectorate published its report from the Pilot Inspection of Services for Children in the Argyll and Bute Community Planning Partnership area. A number of areas for development were identified but this was a positive inspection and inspectors identified key strengths in:
- outcomes for children and young people
 - the positive impact services are having on the lives of young people
 - how well services provide help and support at an early stage
 - the leadership of improvement and change.

Part 5. Audit assessment

73. This part of the report details the audit assessment from the audit work undertaken in May and June 2013. In the context of the issues set out in parts three and four I have considered the strategic leadership and culture of the council, in particular:
- The political culture.
 - The political governance arrangements.
 - Working relationships between councillors and senior officers.
 - The role and responsibilities of senior officers.
 - The effect of the culture and instability.
 - What the council is doing to address the weaknesses.
74. In brief I conclude the following:
- The councillors of Argyll and Bute Council are not providing collective strategic leadership for the council and its communities. There is on-going political instability and a culture of mistrust. This is not yet disrupting the day-to-day operation of the council or service performance, but it is beginning to inhibit progress with strategic planning.
 - The governance arrangements are contributing to the difficulties and the council recognises that it needs to make changes to support improvement.
 - Working relationships between a few councillors and officers are difficult at times and the political instability is putting a strain on management capacity.
 - Senior officers need to consider what further they can do to ensure they are effectively supporting councillors to fulfil their roles and responsibilities.
 - The council is developing plans to support improvement but it remains to be seen whether these plans will be implemented quickly and effectively to address the current instability in the council.

Councillors at Argyll and Bute Council are not providing collective strategic leadership for the council and its communities.

75. Effective political leadership and culture are important to ensure that councils can balance strategic, corporate, operational and local objectives effectively. They are important factors to support good accountability and continuous improvement.
76. Politics is an integral part of local government leadership and tensions are not unusual. However, we have identified through our BV work across Scotland that, in the best performing councils, councillors are able to identify when to set aside political differences and work in a constructive way to support the work of the council. In 2010, the Accounts Commission published its report *How Council's Work: Roles and Working Relationships: are you getting it right?*

What the Accounts Commission says -

In successful councils, councillors and senior managers share a strong public sector ethos and work well together to put their plans for the council area into action. Common features include clearly understood political and managerial structures, professional and constructive relationships between councillors and between councillors and officers, a shared commitment to council priorities, and constructive debate at council and committee meetings.

In contrast, in many of those councils making least progress in best value, a lack of clarity about roles and responsibilities and poor working relationships were contributing factors. In the most serious cases, problems included heightened political tensions among councillors and a lack of trust and mutual respect among councillors and between councillors and officers, which affected their ability to work together.

Accounts Commission - *How Council's Work: Roles and Working Relationships: are you getting it right?*

77. The Argyll and Bute Best Value report published in February 2006, referred to 'the council's ability to work with broad consensus'. This is no longer the case. Effective leadership from councillors is not evident in the current unstable political environment and the culture is now one of mistrust and frustration.
78. The councillors at Argyll and Bute show a good understanding of strategic issues, are articulate and ask challenging questions in meetings. Behaviours in public meetings such as the full council are generally respectful and business like. Councillors also recognise that they do work effectively together in some forums, such as the Planning, Protective Services and Licensing Committee. Despite this, the underlying culture and lack of political stability is inhibiting the collective political leadership of the council and has become a barrier to wider collaborative working.
79. Individually, the councillors recognise the importance of working more effectively together and the importance of taking collective responsibility. There is less evidence that individual councillors also recognise their own contributions to the current culture and their responsibilities in addressing this.
80. The current difficulties in the political position are the product of a culmination of inter-related factors. These range from underlying contextual issues to specific behaviours by individuals. The main contributing factors are outlined in the following paragraphs.
81. All councils face a tightening economic climate, increasing the need for more difficult decisions about spending priorities. There are strong geographic identities and different local priorities across Argyll and Bute. The four areas of Oban, Lorn and The Isles; Mid Argyll, Kintyre and Islands; Bute and Cowal; and Helensburgh and Lomond face different socio-economic pressures, service demands and community priorities. Particularly in the current economic context, the council needs to balance the challenges between delivering corporate objectives

and priorities such as responding to population changes while managing distinct geographic and community priorities. Councillors' dual role of strategic leadership and local representation in this financial and geographic context contributes to the tensions for individual councillors and subsequently the political culture.

82. A number of local issues over recent years have proven particularly challenging for the council and damaged the trust between councillors and between some councillors and senior officers. These have included emotive issues such as schools estate strategic planning [see [Exhibit 6](#)] and adult care strategic planning [see [Exhibit 10](#)]. Other issues that have had a high local profile and been divisive have included the sale of Toward Castle and Ardentiny [see [Exhibit 9](#)] and difficulties with the council's communications team [see [Exhibit 8](#)]. It is important that the council learns from these experiences when considering options for delivering services in the future.
83. Since the 2012 election, there has been increasing instability in the political dynamics of the council.
 - There is a lack of consistent and strong political leadership.
 - There have been changes in political groupings, as well as changes in allegiances across and within these groups. These changes continued throughout the period of the audit.
 - The political groupings numbers have been finely balanced, meaning small groups and individuals are in a position to influence political business by holding the balance of power. This, and then subsequent changes in alliances, is exacerbating distrust and strains on working relationships. Councillors also highlighted their concern that this could mean that to gain support; specific local issues may gain a disproportionate affect on strategic priorities.
84. There are many councillors with very strong personalities who are highly motivated and committed. This is a valuable asset to the council but in the current culture, the strength of personalities also contributes to the level of discord.
85. Councillors and officers that the audit team spoke to described tensions between newer and more established councillors. These tensions are evident in the political dynamics, with more of the newer councillors in the new administration following the 2012 election.
86. The opposition group, following the election, found it difficult to settle into the opposition role and found the change in approach and style of the new administration frustrating, for example in changes to the approach to managing the budget process. Of the 16 opposition councillors immediately following the election, only three were first elected in 2012.
87. The new administration, following the 2012 election, included a significant number of new councillors. Seven of the 20 councillors making up the initial administration were newly elected councillors. It made slow initial progress with decisions about political management arrangements. However, business at the full council has continued despite the political instability.

88. Although councillors behave appropriately in public meetings, behaviours outside the chamber are described as less positive and exacerbate a sense of mistrust. Some councillors will now not engage with each other because relationships have deteriorated.
89. Part of the lack of mutual trust is because of the amount of discussion about council issues and derogatory remarks about councillors and officers made in local press and online forums. Councillors expressed their concern that this includes contributions from other councillors and includes apparent leaking of private papers and emails.
90. The Accounts Commission have made findings on similar difficulties at other councils. The findings from the Accounts Commission hearing at Shetland Islands Council in 2010 stated that:

What the Accounts Commission says -

‘... an enquiring and engaged media is central to strong local democracy. However, council business should not be played out in the media as an alternative to pursuing solutions through the council. The Code of Conduct for Councillors⁴ demands that any confidentiality requirements relating to council business must be observed, regardless of personal views on whether information should be publicly available’.

Accounts Commission findings on Shetland Islands Council, 2010

91. Many councillors also highlighted concerns about external influences at a national level on the political tensions in Argyll and Bute. Reference was made to the particular attention given to council activities by one of the local MSPs. Councillors also referred to the SNP National Executive Committee's reported decision to temporarily suspend SNP councillors for having sought to establish a coalition without seeking permission from the National Executive Committee in advance. This stopped efforts to establish a new coalition administration including the SNP group, Liberal Democrat and Conservative councillors.

The council recognises that governance arrangements need to improve to support a more positive political culture

92. Governance arrangements that are fit for purpose are critical for supporting both councillors and officers in their respective roles effectively. The council's current political management arrangements ([Exhibit 4](#)) are not supporting effective working and the council's strategic scrutiny arrangements have been slow to progress.

⁴ Code of Conduct for Councillors. Produced in accordance with section 1 of the Ethical Standards in Public Life etc. (Scotland) Act 2000.

<http://www.scotland.gov.uk/Resource/Doc/46905/0028864.pdf>. On taking office, all councillors must sign a formal Declaration of Acceptance of Office, in which they undertake to meet the requirements of the Code. They cannot carry out any functions as councillors until they have done so. It is the responsibility of councillors to ensure that they are familiar with, and that their actions comply with, its provisions.

Political management arrangements

93. To support good leadership in any council it is important that structures and arrangements for political business meet the needs of the council and work effectively. In its report *How Council's Work: Roles and Working Relationships: are you getting it right?* the Accounts Commission stated:

What the Accounts Commission says -

Effective relationships help councils and their partners to deliver improved services and outcomes for local people, value for money and continuous improvement. Good working relationships are supported by sound governance arrangements that set out roles and responsibilities, and provide clarity about how the council will be managed and controlled.

Accounts Commission - How Council's Work: Roles and Working Relationships: are you getting it right?

94. In 2011/12 a short life working group considered the council's political management arrangements. Recommendations from this group were considered by the council at the first three council meetings following the May 2012 election. Against the recommendations, the decision was made not to continue with an executive model but that all policy decisions would be addressed at full council.
95. The current arrangement is not sustainable with full council meetings lasting up to eight hours with a 45 minute lunch break. This can lead to fatigue and heightened tensions. The full council is not able to give sufficient time and consideration to the large number of items that it needs to address. For example, during the audit one of the council meetings had to be reconvened, with nine of 40 items from the meeting considered at the later date. Despite the length of the council meetings, they are unable to accommodate the range of items that the full council should be considering, such as performance progress reporting, in the absence of the PRS committee.
96. The meetings are well attended and most of the councillors engage actively throughout the meetings. However, it is not reasonable to expect councillors to be able to focus and give all items their due attention over meetings lasting up to eight hours. Many of the councillors also have long travel times to and from the meetings. Most of the councillors that we spoke to during the audit felt that the meetings are too long and that items taken at the end of the meeting are sometimes not given enough time, consideration and focus. It is also common for a few councillors to have to leave before the end of meetings in order to catch ferries for example.
97. Councillors commented on the volume of information that they are required to read for the council meetings. The papers for one of the council meeting the audit team observed ran to over 600 pages. This is particularly challenging for councillors that are members of other

committees with further papers for meetings within days of the full council. Councillors also commented that their ability to digest the volume of information is sometimes hindered by late papers being submitted which meant they had little time to examine these.

98. Most items presented require a decision with few for just noting. The current governance structure does not include committees or forums for the discussion and development of policies and strategies. This means that items brought to full council have often had limited previous opportunity for open discussion and consideration by councillors. This can lead to situations where officers are seeking a political decision to progress work, but where councillors do not feel they have had sufficient information or opportunity to discuss an issue fully.
99. The council uses short life working groups as a method for considering issues in depth. During 2012 and 2013, short life working groups have been formed for a few specific strategic issues including economic development planning, road asset management and more recently a further review of political management arrangements. Officers have also provided seminars on current issues such as welfare reform, procurement and adult care services to support discussion and questions, although records of attendance for these sessions were not available, officers advised that attendance was variable.
100. With the unstable political environment, the full council meetings are a challenging environment. Councillors suggested to the audit team that the full council model means all councillors are more exposed to public scrutiny. In debates this means councillors can feel obliged to state their opinion on every issue, even when these points have already been made by other councillors. This can lead to long, unfocused discussions that add little to the considerations overall. The environment also means that, when voting on decisions, councillors can feel under pressure to respond to local expectations over strategic priorities.
101. The chairs of the Audit and the PRS committees and some councillors, expressed a concern that with continued political instability the on-going membership of committees may be uncertain. Their concern was that this may make it difficult to progress planning, training and the core work of the committees.

Scrutiny

102. Effective scrutiny arrangements are critical for all councils to ensure that decision-making is based on sound information and that progress against these decisions is monitored and managed appropriately. In its report *How Council's Work: Roles and Working Relationships: are you getting it right?* the Accounts Commission stated:

What the Accounts Commission says -

Councils' audit and scrutiny committees play a vital role in governance and it is important that these remain fit for purpose.

Accounts Commission - *How Council's Work: Roles and Working Relationships: are you getting it right?*

- 103.** Following the May 2012 elections, the council continued its Audit Committee arrangements with revised membership. The Audit Committee retains its role in monitoring the council's processes and management of its planning and performance management framework within its wider remit of monitoring audit, risk management and meeting business standards. The committee receives quarterly reports on progress with the planning and performance management framework but the committee's remit does not include performance scrutiny.
- 104.** Progress with setting up and developing the PRS Committee was slow. The council agreed to establish the committee in June 2012 but the independent chair of the committee was not recruited until December 2012. Prior to the on-site phase of the audit work the committee had only met once, in February 2013.
- 105.** The council's constitution states that for the PRS and Audit Committees, non-councillors should be treated as voting members. At the PRS meeting in February 2013 this meant that there were more unelected representatives scrutinising council performance than councillors. The council needs to consider the implications of this on accountability for its performance, progress on priorities and the scrutiny of risks.
- 106.** The poor progress on developing the PRS contributes to the overall weakness in scrutiny in the council. The PRS Committee should be the primary forum for scrutinising progress and performance in delivering policies and priorities. At the meeting in February 2013, only two of five councillors on the committee attended. The committee has since met in June and August. The council reports that the committee is now developing effectively into its role.
- 107.** From our discussions with councillors, it is apparent that they do not have a shared understanding of their role in scrutiny. Perceptions ranged from asking challenging questions in council meetings to in-depth research on specific issues to test the information provided by officers. Councillors need to systematically scrutinise:
- Information supporting policy options and decisions.
 - Progress against implementation of policies through strategies and plans, as well as evaluation of their effectiveness.
 - Performance, including financial, output, outcome, user satisfaction and external assessments.
- 108.** The scrutiny of progress on strategic objectives and policy is weak with only limited progress by the PRS Committee. Similarly, the scrutiny of performance at a strategic level is weak, with

little evidence of performance information being actively scrutinised by councillors over the past year at this level. There is however evidence that performance information is regularly scrutinised at a local level by area committees. Performance reports that have been presented at a strategic and area level include trend and some comparator information. However, particularly at a strategic level, this provides limited detail for scrutiny. Councillors have access to performance information through an IT system but felt it was difficult to use the system.

109. Councillors have access to all council and committee papers. However, some expressed concerns that the limited forums for discussion and weaknesses in scrutiny contribute to them feeling that they do not have a clear understanding of issues and that officers are not systematically being held to account.

Review of political management arrangements

110. It is important that all councils ensure the governance arrangements, including the framework for political management, remain appropriate and effective. In its report *How Council's Work: Roles and Working Relationships: are you getting it right?* the Accounts Commission stated -

What the Accounts Commission says -

Governance arrangements that are fit for purpose and up to date are critical in clarifying roles, responsibilities and expected behaviour.

Accounts Commission - *How Council's Work: Roles and Working Relationships: are you getting it right?*

111. Councillors and officers that we spoke to recognise that the governance arrangements need to improve and a short life working group is now considering how this can be achieved. The short life working group first met in July 2013 to discuss the options so that the council can consider how to take forward improvements from the Autumn 2013. The short life working group agreed the principles of its work are to achieve:
- Stability in political management arrangements.
 - Clear strategic direction to deliver on Single Outcome Agreement.
 - The development of clear and sustainable policies.
 - An inclusive council.
 - Positive culture.
 - Constructive working relationships across all councillors.
 - Members focus on addressing challenges and identifying opportunities.
 - Good reputation.
 - Leadership.

- Effective political scrutiny.
 - Effective decision-making.
 - Increased focus on all customers.
112. It is encouraging that the short life working group shows a good level of awareness of the issues in the agreed principles. The timeline and remit of this group is ambitious and it will need leadership, sufficient time dedicated to discuss the issues and resources to support its progress. It is important for the council that this group makes effective progress and delivers recommendations that the council can take forward to improve on the current arrangements.
113. Officers report that in July 2013 a survey of councillors indicated that there was no requirement for a protocol for multi-member ward working. However, during the audit some councillors reported that a symptom of the poor working relations is that in some multi-member ward areas cooperative working is poor. In the council's review of its governance arrangements it should consider how it can better support multi-member wards to work effectively and the role of area committees in relation to these and to the wider governance arrangements.

Working relationships between a few councillors and officers are difficult at times and the political instability is putting a strain on senior management capacity

114. In addition to effective arrangements and structures, the clarity of councillors and officers respective roles and responsibilities and good working relationships are critical to the success of any council. In its report *How Council's Work: Roles and Working Relationships: are you getting it right?* the Accounts Commission stated:

What the Accounts Commission says -

Trust, confidence and good conduct between councillors, and between councillors and officers, are essential for building and maintaining good relationships, and supporting good leadership, management and performance.

A councillor's role is to represent constituents, to provide leadership and direction for the council and to scrutinise service performance. Council officers are responsible for operational leadership and management and for providing professional advice to support councillors in their role. In other words, on an issue-by-issue basis, councillors determine policy at the start, officers manage delivery of the policy in the middle and councillors scrutinise delivery at the end. Senior officers have key roles at the transition between these phases, supporting policy development and scrutiny by ensuring the right information is available at the right time.

Accounts Commission - *How Council's Work: Roles and Working Relationships: are you getting it right?*

Councillor and officer working relations

115. At Argyll and Bute Council, councillor and officer working relations are at times difficult. The political instability has exacerbated some of these tensions between a few councillors and officers. The capacity of senior managers is strained by the combination of issues currently facing the council. Significant tensions between councillors and senior officers are however limited to a small number of councillors and issues.
116. Many of the councillors that we spoke to felt that individually they are able to work well with officers. They also recognised that the current political position makes it difficult for the senior officers and showed concern for the effect on individuals.
117. Councillors are not engaging well in efforts by officers to provide support on strategic issues. Although there is no documentary evidence around attendance, both officers and councillors indicated that attendance at strategic seminar sessions was variable. As a result, it is frustrating for councillors that attended these sessions when time is taken in full council to cover information from the seminars again.
118. The political instability has exacerbated some tensions between councillors and officers and in some cases there is a lack of mutual trust.
119. There is a general recognition that a few reports presented to council, which were viewed by a few councillors to be incomplete or to include errors, undermined some councillors' confidence in the information they receive. In particular, the examples referred to by councillors relate to the schools estate review and to the consideration of Struan Lodge care home in January 2013. A few councillors indicated they felt they therefore have to do their own research in order to verify information.

120. Officers also recognise a level of mistrust and said that some information requests from councillors were not provided in full. This was because the information was considered to be operational or included confidential information, such as personal data. There were also concerns that information might be leaked.
121. The most significant levels of mutual mistrust between councillors and senior officers centre around a small number of councillors. These councillors are very challenging to officers on specific issues of interest to them. In addition to challenging on these issues in formal meetings they pursue further information directly with officers outwith the chamber. In some cases they do not consider the responses they receive from officers to be adequate. Officers feel they are required to spend disproportionate amounts of time on issues that have been decided on by the council, or are being addressed. Interviews with councillors and officers indicated that there is concern about how information is used, including damaging reports in the local media.
122. It was clear from the audit work that much of the strain on relations centres on the behaviour of individuals. The councillors and officers we interviewed indicated concern about the manner and behaviours of a few councillors at times. The behaviours described do not meet the expectations of the respective roles and responsibilities of councillors. All councillors must take responsibility for understanding their role and responsibilities, behave accordingly and respect the role of management in operational matters.

Senior officer roles and responsibilities

123. The scope of the audit work was to consider the working relationships between councillors and councillor to officer relations. However, it is not possible to look at the leadership and culture of councillors without considering the role of senior officers.
124. Senior officers are critical in enabling the political leadership of the council to function effectively. In its report *How Council's Work: Roles and Working Relationships: are you getting it right?* the Accounts Commission stated:

What the Accounts Commission says -

Statutory officers have specific duties as set out in legislation and discharge this role as part of their wider responsibilities within their council. They have an important, independent role in promoting and enforcing good governance and for making sure councils comply with legislation.

The head of paid service (the chief executive) is responsible for all aspects of the management of the council. Together with councillors, the head of paid service is responsible for promoting good governance by ensuring processes are in place, fit for purpose and up to date. The head of paid service works with senior colleagues to ensure that councillors receive good quality information and support to inform decision-making and scrutiny, and ensures other statutory officers have appropriate access and influence in carrying out their roles.

The monitoring officer has an important role in establishing and maintaining good working relationships. The monitoring officer usually prepares governance documents, including standing orders and schemes of delegation, and is often responsible for monitoring behaviour and conduct, and for raising any issues or concerns with the chief executive. The monitoring officer works with councillors and commonly provides guidance and support to help them fulfil their role.

Accounts Commission - How Council's Work: Roles and Working Relationships: are you getting it right?

125. Through our audit work it became evident that the senior management team are finding the current political instability and relationships with some of the councillors very challenging.
126. Over the past two years, and particularly since the May 2012 elections, the capacity of senior managers has been under strain. The workload for senior managers has increased as a consequence of many new councillors, the changing political make-up and the significant public interest issues faced by the council. This has required additional investment in time by managers in media management, advising and providing information to councillors, supporting changed lead councillors for thematic areas and adjusting and readjusting proposals to meet shifts in political focus.
127. Changes in political allegiances have meant that policy decisions made by the council lose support and officers are left to resolve shifting strategic positions.
128. The audit team heard supportive comments about the chief executive and the positive contribution she has made since joining the council in 2008 from both other officers and councillors. The senior management team are supportive of each other and work well as a team to manage the strain on capacity, but this will not be sustainable if the current issues in the council continue.

129. The audit team recognises that officers provide a range of support to councillors. This includes support for all councillors such as training and seminars, support to specific groups of councillors such as briefings and meetings (for example group leader meetings and briefings for councillors attending COSLA⁵ meetings). It also includes support for individual councillors such as providing information on local issues or projects.
130. Despite the strain on capacity and the very difficult circumstances, the senior management of the council need to consider what further it can do to ensure they are effectively supporting councillors to fulfil their roles and responsibilities. Senior managers have a responsibility to ensure good governance processes are in place and that councillors receive good quality information and support to inform decision-making and scrutiny. Our work on this audit indicates that these are areas for improvement:
- The strategic scrutiny arrangements are inadequate and provision of performance information to support good scrutiny has been insufficient.
 - The chief executives annual appraisal did not take place in 2012/13. This is an important part of the accountability arrangements in the council and should have taken place despite the instability in the council.
 - As in many other councils, the quality and consistency of reporting for decision-making could be improved, including the depth and range of supporting information, use of its reporting template and the use of cost information. The current difficulties at Argyll and Bute Council mean that it is even more important that councillors have confidence in the consistency, content and balance of reports and options put before them.
131. The audit team recognises that senior management have committed significant time and effort to deal with the current difficulties. They have made efforts to promote effective governance, for example when advising councillors of the risks of the full council model when this proposal was discussed.
132. The political instability makes it more difficult and complex for officers to sustain support for councillors and this in turn makes councillors suspicious that officers are withholding information. For example, the chief executive established regular monthly meetings with group leaders in 2012 but these were not held during the period of the audit work due to the lack of clarity about the groups and the leaders. The chief executive reports that these meetings have since been re-established.
133. It is an important part of any council chief executive's role to be impartial and accessible to all councillors, to retain their trust and confidence. The chief executive and the monitoring officer have a role in challenging councillors that do not behave in accordance with the code of conduct and within the roles and responsibilities of a councillor.
134. The concerns described by both officers and councillors about the behaviours of some councillors, indicates that interventions from the chief executive and monitoring officer have not been successful. Demanding expectations from some councillors need to be managed more effectively. Senior officers and councillors need to consider how they respond to this.

⁵ Convention of Scottish Local Authorities

The council reports that a paper will be taken to the short life working group to consider what additional measures can be made to address this issue.

The political instability is beginning to inhibit development of strategic planning.

135. A constructive culture and collective leadership from councillors and officers are important for ensuring clarity about priorities and directing progress against these. In its report *How Council's Work: Roles and Working Relationships: are you getting it right?* the Accounts Commission stated:

What the Accounts Commission says -

Clarity about governance arrangements, people's roles and responsibilities and good working relationships are central to the success of any organisation. Getting it right in councils has a significant bearing on how well they perform in delivering vital services for local people and communities, and in making sure public money is used wisely.

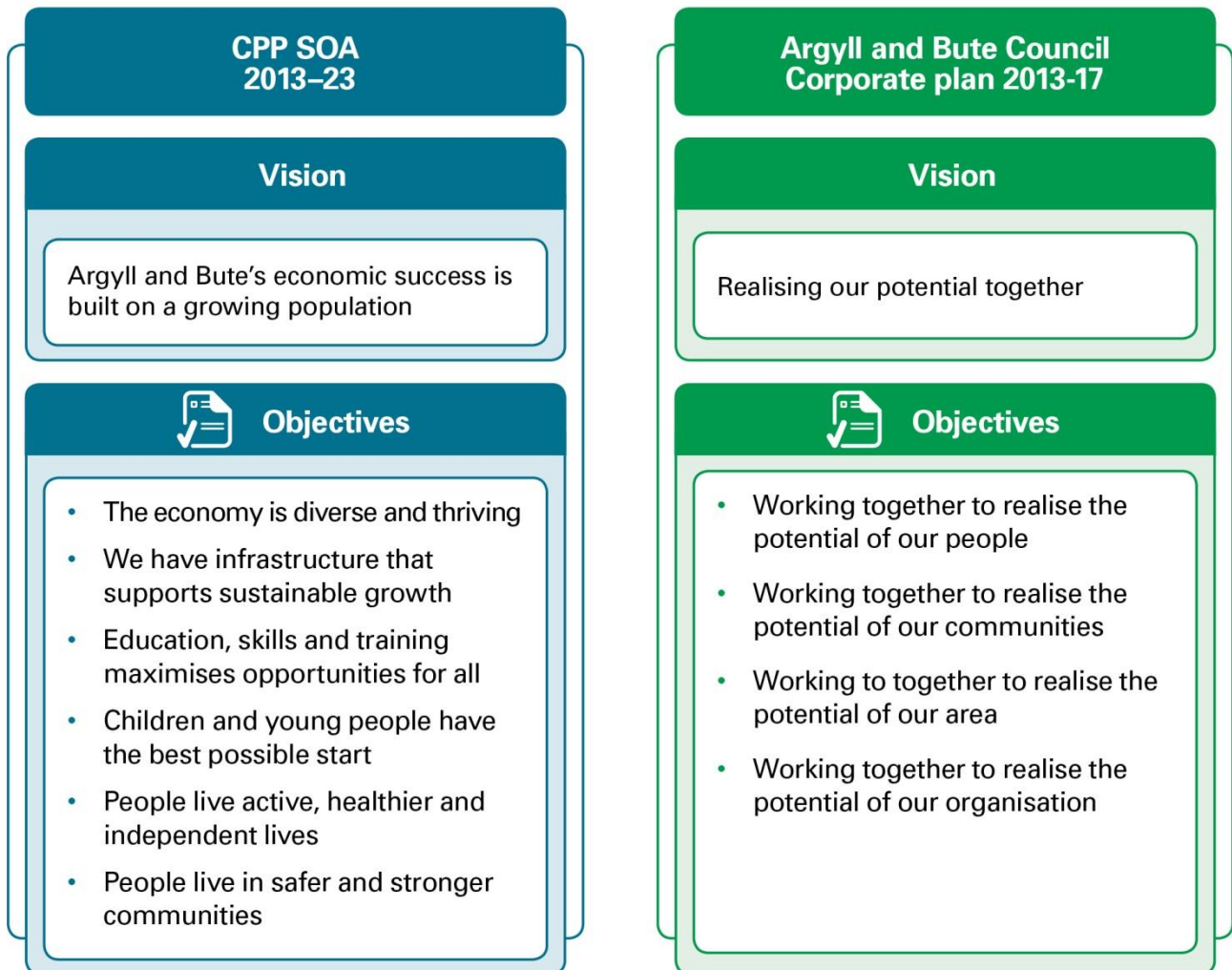
Where working relationships break down, for whatever reason, this has a significant impact on the culture, morale and performance of the council.

Accounts Commission - *How Council's Work: Roles and Working Relationships: are you getting it right?*

136. The political instability means that it is becoming increasingly difficult for the council to progress strategic planning. This planning is important if the council is to respond to the challenges facing Argyll and Bute and deliver services within reducing budgets.
137. The council has the Community Planning Partnership objectives and set its own agreed high-level strategic objectives, see [Exhibit 11](#).

Exhibit 11

Community Planning Partnership and Argyll and Bute Council vision and priority objectives



Source: Argyll and Bute CPP Community Plan and SOA 2013-2023, Argyll and Bute Council Corporate Plan 2013-17

138. These provide a framework for officers to continue work in a broad direction of travel. To produce fully developed strategies and plans requires defined political priorities and clear policy decisions. Changing allegiances, political balance and a lack of clarity about the administration means this is increasingly difficult for officers.
139. The council's draft Strategic Risk Register, considered by the council in August 2013, recognises that 'a lack of strategic leadership and direction will have negative impact on the ability of the council to set out strategic objectives and then align service delivery and resources to ensure these objectives are achieved. May also impact on development of the Community Planning Partnership. Risk that organisation is not focused outcomes/objectives resulting in poor decision-making and inadequate governance arrangements'.

140. Financial pressures, see [Exhibit 12](#), mean difficult decisions about priorities and savings need to be made timeously by councillors to allow these to be delivered. This requires time for planning, implementation and for the savings to be made.

Exhibit 12

Incremental savings to 2019/20

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Savings gap	£1.3	£5.0m	£10.7m	£6.0m	£6.1m	£5.7m

Source: *Argyll and Bute Council*

141. Savings for 2013/14 (£4.656 million) have been identified, with the balance of the total funding gap of £5.805 million being met through diversion of one-off funding for a Teacher Induction Scheme (£230,000) and transfer from reserves (£919,000).
142. In June 2013, the council agreed to take forward a service prioritisation process to identify where future savings can be made. Over the next six years it is currently estimated that £34.8 million of savings need to be achieved. There is a risk to service delivery if these savings are not achieved. It is difficult to see how clear agreement for implementation can be achieved if the current instability continues and councillors do not provide consistent clear leadership on priorities.
143. Specific programmes of work are beginning to be delayed because of the political instability and arrangements. For example, a review of the education service management arrangements, undertaken with Education Scotland, was completed in April 2013 but the recommendations were not brought to the council until September 2013. For some projects, delays are not significant but there is a risk these become more of an issue. For example, a position on a board is vacant for the councils 'CHORD' programme (a programme for regeneration and economic development in five towns) potentially delaying decisions. Officers are instead bringing these decisions to full council.
144. There is no evidence that the political instability is having a detrimental effect on front-line service performance yet. A review of available performance information showed no indication there is any notable impact on service performance over the past two years. However, if the current instability continues and strategic planning is increasingly inhibited this will ultimately affect service performance and outcomes for communities.
145. Staff morale was not raised as a specific problem during audit interviews, but was recognised as an issue for on-going management by officers. A staff survey undertaken for the council over May and June 2012 shows a relatively consistent position on most measures with a similar survey undertaken in 2009. The survey focused predominantly on management arrangements. Similarly, staff absence management figures do not show any significant variances that may be attributable to the current difficulties in the council. However, there is a

risk to the council that staff morale and confidence is affected if the current difficulties at a strategic level are not improved.

146. It is also reasonable to assume that the challenges facing the council have had a negative effect on the council's reputation. The council needs to be aware that this also brings risks in terms of partner organisations' confidence in working with the council.

There is wide recognition of the need to improve

147. A clear acceptance of the need to improve is fundamental if it is to be achieved. Although individuals have different views on the root causes of the problems, everyone that the audit team spoke to during the audit recognised the need to achieve a more stable position in the council.
148. This recognition and acceptance of the need to improve is a significant foundation for the council to build upon.
149. The council has started to develop plans to support improvement. This includes requesting assistance from the wider local government community and in particular the Improvement Service. It is important that the council engages well with external support if it is to make effective improvements to address the current difficulties.
150. In addition to the need to improve the political management arrangements, there is a need for councillors and senior officers to consider how individually they can contribute to improvement. In its report *How Council's Work: Roles and Working Relationships: are you getting it right?* the Accounts Commission stated:

What the Accounts Commission says -

Training to improve understanding and awareness about roles and responsibilities, as well as activities to develop the confidence and skills of councillors and officers can help to support improvements.

Poor uptake of training may mean that councillors are not up to date on matters of importance to the council, their ward and constituents.

Accounts Commission - *How Council's Work: Roles and Working Relationships: are you getting it right?*

151. In addition to the short life working group currently reviewing options for improving the governance arrangements, a programme of additional training for councillors is planned from Autumn 2013. The programme includes:
- further seminars on strategic issues, such as the single outcome agreement, the schools estate strategy and health and social care integration

- a workshop and programme of sessions facilitated by the Improvement Service on roles and behaviours
 - external speakers including the Commissioner for Ethical Standards in Public Life in Scotland
 - developing use of the Continuous Professional Development framework.
152. The attendance at induction training for councillors following the 2012 election by newer councillors was good, but commitment to training more widely has been more mixed. Only six of the 36 councillors completed a training needs analysis in 2012. Given the current level of difficulties, it is important that all councillors, both well-established and newer councillors, engage and are open to the training and to support.
153. There is a significant challenge ahead for the councillors and officers of Argyll and Bute Council to both collectively and individually change the culture and address the difficulties. The good level of recognition of the issues and the early signs of engagement with external support provide a good foundation. There is a clear desire across councillors and officers to improve the outcomes for the communities of Argyll and Bute. To achieve this will require collective working and leadership.

What the Accounts Commission says -

Working together, councillors and officers lead and manage their councils to provide services that improve the lives of local people. Trust, confidence and good conduct between councillors, and between councillors and officers, are essential for building and maintaining good relationships, and supporting good leadership, management and performance.

Accounts Commission - How Council's Work: Roles and Working Relationships: are you getting it right?

ACCOUNTS COMMISSION

MEETING 17 OCTOBER 2013

REPORT BY ASSISTANT AUDITOR GENERAL

AUDIT OF LOCAL AUTHORITY CHARITIES

Purpose

1. The purpose of this report is to request approval for some transitional provisions for the appointment of auditors to local authority charities..

Background

2. At the June 2013 meeting the Commission approved the appointment of the existing council auditors to the various local authority charities falling within section 106 of the 1973 Act but also required to comply with the Charities Accounts (Scotland) Regulations 2006.
3. Following that approval I wrote to all councils informing them of the decision. One large council has responded saying that in advance of the end of the transition period before audit was formally required they had proactively taken steps to significantly reduce the number of charities and had appointed auditors for a three year period. The council requested that we consider whether the appointments could be allowed to continue so that the council and its charities could benefit from the investment in time and knowledge already made and potentially the lower costs.
4. In this case the auditors that they have appointed are a firm which already holds Auditor General appointments in the further education sector, but not Accounts Commission appointments in the local government sector, and has significant experience of auditing charities.
5. Given the relatively light touch audit arrangements previously in place for these charities (a summary statement in the notes to the council accounts) it would seem a proportionate response to allow this existing appointment to continue. Whilst I am not aware of any precedents in the local government sector we have allowed existing appointments to continue when the Auditor General first took over responsibility for the Further Education sector and when the AGS first took over responsibility for a small number of NDPBs incorporated as limited companies.
6. Any agreement for that council would have to be capable of being applied fairly if there are any other councils in the same position. We have therefore considered the circumstances in which such transitional arrangements might be appropriate and any conditions which we would want to attach.

Proposal

7. It is proposed that existing audit appointments made by councils for the external audit of their charities falling within section 106 of the 1973 Act should be allowed to continue subject to the following conditions:
8. The local appointment was made before 1 August 2013 (the date of the formal letter informing councils of the Commission appointment decision).
9. The appointed auditor is of a suitable standing and quality to adequately deliver these audits. For example, they are currently working as an appointed auditor for Audit Scotland or have significant experience of charity audits.

10. The appointed auditor of the Council has access to the work of the locally appointed auditor to enable them to complete their responsibilities under Section 106 of the 1973 Act in relation to the audit of council financial statements.
11. The full audit of the charities is completed by the middle of August each year to enable sufficient time for the auditor of the council to review these files and to come to an opinion on whether they can rely on this work.
12. The appointed auditor of the council would undertake any wider scope audit work in relation to the charities such as any correspondence from the public about governance etc.

Recommendation

13. The Commission is requested to approve the deferral of its own appointment of external auditors for councils which meet the conditions set out above. Such approval would not extend beyond the end of the existing audit appointment period i.e. 2015/16.

Russell Frith
Assistant Auditor General
8 October 2013

ACCOUNTS COMMISSION

MEETING 17 OCTOBER 2013

REPORT BY THE SECRETARY AND BUSINESS MANAGER

SCOTTISH DRAFT BUDGET 2014-15

Purpose

1. The purpose of this paper is to provide the Commission with a briefing on the Scottish Draft Budget 2014-15, and in particular some of the implications for local government.

Background

2. The Scottish Spending Review 2011 and Draft Budget 2012-13 was published on 11 September 2013 and sets out the Scottish Government's spending plans for 2014-15 and indicative spending plans for 2015-16.
3. The Draft Budget is based upon the UK Government's Spending Review which was announced on 26 June 2013.
4. The main sources for this document are: the Scottish Parliament's briefing paper on the Draft Budget,¹ the Scottish Government's Draft Budget document,² and CoSLA.³

Overall budget

5. Overall, Scottish Departmental Expenditure Limit (DEL)⁴ is planned to increase by 0.9% in cash terms and fall by 1.3% in real terms. Due, however, to the use of the Budget Exchange Mechanism⁵, which allows the Scottish Government to move limited amounts of money from one year to the next, the actual amounts available for the Scottish Government to allocate within the Draft Budget are higher. Accordingly, the actual spend allocated across the DEL portfolios will stand still in real terms (the actual real terms increase is £4.2m, or 0.01%).
6. Exhibit 1 overleaf shows the breakdown of DEL by portfolio. The local government portfolio sees a real term fall of 1.8% from the previous year. In 2014-15, the local government portfolio accounts for 26.5% of the DEL budget (compared to 27.0% in 2013-14).
7. Within these figures, DEL Resource (ie revenue) decreases by £335m in real terms and DEL Capital increases by £339m between 2013-14 and 2014-15. Additionally, the Scottish Government say they intend to transfer £165m from Resource to Capital in 2014-15, but this has not been reflected in the total DEL Resource and DEL Capital budget numbers. A breakdown of DEL between Resource and Capital is shown in Appendix 1.

¹ *Financial Scrutiny Unit Briefing: Draft Budget 2014-15*, Scottish Parliament Information Centre, 13 September 2013

² *Scottish Budget Draft Budget 2014-15*, Scottish Government, 11 September 2015.

³ *COSLA, Local Government Funding Pressures*, Report to Leaders' Forum, September 2013.

⁴ DEL is the discretionary spending that the Scottish Government is able to spend and control.

⁵ The Budget Exchange Mechanism (BEM) allows the Scottish Government to carry over 0.6% of Resource DEL and 1.5% of Capital DEL from one financial year to the next.

Exhibit 1: Departmental Expenditure Limit (DEL) by portfolio in real terms (£m 2013-14 prices)

Portfolio	2013-14	2014-15	2015-16	Change 14-15 on 13-14 (%)
Health and Wellbeing	11,887.1	11,873.7	11,629.0	-0.1
Local Government	7,839.8	7,697.2	7,447.1	-1.8
Infrastructure, Investment & Cities	2,398.3	2,630.5	2,755.5	9.7
Education and Lifelong Learning	2,620.1	2,625.4	2,674.7	0.2
Justice	2,552.2	2,540.8	2,521.2	-0.4
Rural Affairs & the Environment	540.8	548.8	571.1	1.5
Finance, Employment & Sustainable Growth	536.0	494.6	592.0	-7.7
Culture & External Affairs	246.8	226.9	571.1	-8.1
Administration	206.9	194.3	194.3	-6.1
Crown Office & Procurator Fiscal	108.1	106.7	105.5	-1.3
Scottish Parliament & Audit Scotland	92.5	93.9	92.5	1.5
Total	29,028.6	29,032.8	28,810.3	0.0

Source: *Financial Scrutiny Unit Briefing: Draft Budget 2014-15*, Scottish Parliament Information Centre, 13 September 2013.

Capital spend and investment

8. Capital spend is likely to fluctuate from year to year which partly explains some of the changes in Exhibit 1. For example, the Local Government capital budget grows quite rapidly in 2014-15, because the Local Government capital settlement was re-profiled with reductions in 2012-13 and 2013-14 of £120 million and £100 million respectively, offset by a corresponding increase in 2014-15 of £120 million with £100 million added in 2015-16.
9. The Scottish Government cites infrastructure investment as a central element of its approach to boosting economic recovery and employment. Accordingly the Scottish Government has supplemented the 2014-15 DEL Capital budget with Non-profit distributing (NPD) funding (£809m)⁶, rail enhancements (£449m), capital receipts from the sale of assets (£80m), and transferring DEL Resource to DEL Capital (£165m). This takes the total planned spend on infrastructure in 2014-15 to over £4bn.
10. In 2014-15, the Scottish Government plans to progress a range of projects using NPD financing. This includes projects such as the M8/M73/M74 motorway improvements, the Aberdeen Western Peripheral Route, and a range of school, college and health projects. Planned investment through NPD financing in 2014-15 is £809m, which is £164m lower than had been anticipated at the time of last

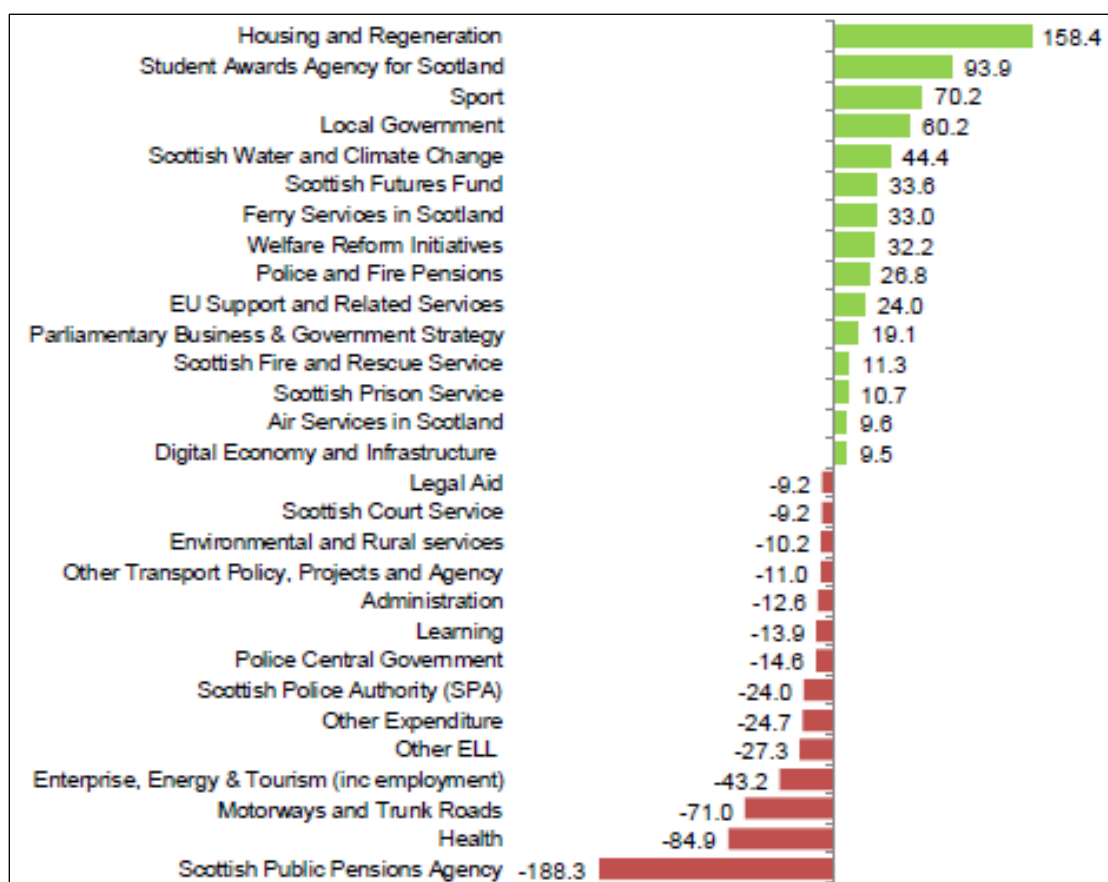
⁶ NPD investment is a form of revenue funding which means that the Scottish Government does not pay the upfront construction costs, but is committed to making annual repayments to the contractor, typically over the course of 25-30 years.

year's draft budget statement. The Scottish Government states that this is due to a combination of reduced project costs and delays to project commencement. Any reduction in planned NPD investment does not release funds for the Scottish Government to allocate elsewhere in its budget, as the investment is initially undertaken by private sector contractors. It does, however, reduce the overall level of investment in the Scottish economy relative to what had originally been planned.

Detailed budget areas

11. In terms of more detailed budget areas, health and regeneration sees the largest budget increase. Exhibit 2 shows the largest changes.

Exhibit 2: Largest real term changes 2013-14 to 2014-15, £m.



Source: *Financial Scrutiny Unit Briefing: Draft Budget 2014-15*, Scottish Parliament Information Centre, 13 September 2013.

Local government

12. Local Government's share of the overall Scottish budget remains largely static from 2013-14 to 2015-16. From 2013-14 to 2014-15 there is a real terms increase of 0.6% in the overall allocation to Local Government, but from 2014-15 to 2015-16 there is a real terms reduction of 1.1%.
13. The total allocation to local government in 2014-15 will be £10,531.4m.⁷ While this figure includes the Scottish Government's best estimate of non-domestic

⁷ This is made up of DEL of £7,697.2m, as in Table 1, and the remainder in Additionally Managed Expenditure (AME), i.e. expenditure which is difficult to predict precisely, but where

rates (NDR) income (see below), it does not include income from the council tax, any fees and charges which local authorities collect themselves, or other funding received direct from the UK Government or European Union.

14. Exhibit 3 shows how the 2014-15 local government budget is composed. The Scottish Government guarantees the combined general revenue grant and distributable non-domestic rate income figure, approved by Parliament, to each local authority. A drop in non-domestic rate income is compensated for by an increase in general revenue grant and vice versa.

Exhibit 3: 2014-15 Local government settlement (£m)

Source	Budget
General Revenue Grant	6,971
Non Domestic Rates	2,688
Support for Capital	623
Specific Capital Grants	150
Specific Resource Grants	99

Source: *Financial Scrutiny Unit Briefing: Draft Budget 2014-15*, Scottish Parliament Information Centre, 13 September 2013.

15. The Draft Budget states that the funding package for local government:

“will be focussed on delivery of our joint priorities of growing the Scottish economy and protecting front-line services and the most vulnerable in our society, including through a greater focus on prevention measures and reform of public services.”

16. As in previous years, in order to access the full amount of the funding package, each local authority will need to “agree formally to work with the Scottish Government” to:
- freeze the council tax;
 - maintain teacher numbers in line with pupil numbers; and
 - secure places for all probationers, who require one, under the teacher induction scheme.
17. The Scottish Government is providing an additional £70m of funding in 2014-15 to freeze the council tax at the previous year’s level. Since, however, the freeze is based on 2007-08 levels of council tax, and the Scottish Government has provided £70m to councils’ baseline allocations in each of the six years of the freeze, the actual cost of the council tax freeze for 2014-15 is £490m. In other words, £70m is the cost of freezing the council tax compared to not freezing it for one year, and £490m is the cumulative cost of freezing the council tax compared to not freezing it over a seven year period (i.e. 2008-09 to 2014-15).
18. Non-domestic rates income (NDRI) is expected to increase by 10.4% in real terms from 2013-14 to 2014-15. This is due to the Scottish Government matching the English poundage rate, which is tied to September RPI and factors such as

there is a commitment to spend or pay a charge, e.g. pensions. Changes to AME are fully funded by HM Treasury, so do not impact on the Scottish Government’s spending power.

inflation, buoyancy and prior year adjustments (i.e. appeals losses assumptions being more cautious than turned out to be the case).

19. NDRI is currently the single largest source of revenue under the control of the Scottish Government, although the money is collected by local authorities. Exhibit 4 shows the forecast receipts from non-domestic rates in cash and real terms through to 2015-16. The supplement for large retailers who sell alcohol and tobacco products, which began on 1 April 2012 will continue to 2015. 14

Exhibit 4: Non-Domestic Rates Income (NDRI)

	2013-14	2014-15	2015-16
NDRI (cash) (£m)	2,435.0	2,688.0	2,883.0
Cash terms annual change (£m)		253.0	195.0
Cash terms annual change (%)		10.4%	7.3%
NDRI (real)	2,435.0	2,637.9	2,779.2
Real terms annual change (£m)		202.9	141.3
Real terms annual change (%)		8.3%	5.4%

Source: *Financial Scrutiny Unit Briefing: Draft Budget 2014-15*, Scottish Parliament Information Centre, 13 September 2013.

20. In its budget document, the Scottish Government states that changes to the 2014-15 draft budget in relation to local government revenue funding include:
- increases of £320 million from the Department of Work and Pensions and £23 million top up from the Scottish Government following the transfer of responsibility in respect of the Council Tax Reduction Scheme;
 - an additional £50.7 million to expand pre-school provision resulting from the Children and Young People Bill;
 - £4.5 million for Free Personal and Nursing Care;
 - an increase of £2.5 million for the National Care Home contract;
 - an increase of £0.8 million for the Oban Airport transfer; and
 - £0.4 million transferred back to local government to cover residual national police costs borne by local authorities.
21. The changes to the 2014-15 capital funding are as follows: an increase of £30 million to facilitate capital work resulting from the Children and Young People Bill; and a transfer of £20.2 million to Rural Affairs and the Environment as part of the local government contribution to delivering next generation broadband across Scotland.

Local government priorities

22. The Draft Budget indicates that the key priorities agreed during the last spending review period will be continued throughout 2014-15 and 2015-16. There are two aspects to the priorities for local government—
- the three specific commitments in paragraph 16 above; and
 - widening the partnership between the Scottish Government and Local Government.

23. Prior to 2013-14, local authorities also had responsibility for maintaining police numbers, through the police boards. However, that responsibility has now transferred to the Scottish Police Authority and the Police Service of Scotland. In addition to the three priorities above, for 2015-16, local authorities will also be required to “work with their NHS partners towards full integration of Health and Social Care.”
24. In its budget document, the Scottish Government refers to the key role of local government in the transformation of public services, including the drive to create more person-centred, preventative approaches to better achieve outcomes, tackle inequality and reduce demand for services.
25. The Government points to the continuing role beyond 2015-16 of the Early Years and Reshaping Care for Older People Change Funds to support the greater alignment of resources across public services on partnership-based prevention priorities. It states that from 2015-16, both funds will evolve to further strengthen its approach to mainstreaming prevention and tackling inequality across public services. The Government also points to additional resources (£100 million) to be allocated via NHS boards to support integrated funding arrangements for health and social care to help drive the shift towards prevention. There is also a further £20 million which will be deployed centrally within Health to support national initiatives. This additional resource will be accessible to local authorities, working in partnership with NHS Boards and the third and independent sectors and will focus, in particular, on tackling multiple co-morbidity problems earlier in the 55-65 age group.
26. The Government emphasise the “leading role” role of community planning partnerships in driving forward at a local level more effective and integrated local planning. To this end, the Government expect CPPs to show a demonstrable commitment to the Agreement on Joint Working published alongside the Budget.
27. In addition to the priorities for local government discussed above, as part of its Performance Evaluation document, the Government has also provided information on all of the indicators and targets in the National Performance Framework specifically influenced by local government activity. Of the 50 indicators, the Scottish Government highlighted 25 indicators as being “relevant to the Local Government and Regeneration Committee.” These are set out in Appendix 2.

Welfare reform

28. The Cabinet Secretary announced funding for measures to ‘mitigate the worst impacts of the UK Government’s welfare reforms’. Total funding for these measures will amount to ‘at least £68 million’ in 2014-15 (approximately 0.3% of DEL resource budget). This includes:
 - £37.6 million for the Scottish Welfare Fund (SWF), introduced in April 2013 to replace ‘Crisis Loans for Living Expenses’ and ‘Community Care Grants’.
 - £23 million ‘to fill the cut in funding from the UK Government for Council Tax Benefit successor arrangements, with an expectation that local government will contribute a further £17 million’.
 - £7.6 million funding for ‘Other Welfare Reform Mitigation’ measures, such as providing funding for advice and support services.

29. During the Draft Budget announcement the Cabinet Secretary also committed £20 million from the 2013-14 budget to 'help those struggling the most with the costs of the bedroom tax'.⁸ This funding will assist councils in dealing with the impact of welfare reform, supplementing UK Department for Work and Pensions (DWP) 'discretionary housing payments' (DHPs). Half of the £20 million will come from a transfer from the demand-led Home Energy Efficiency Programmes for Scotland scheme, the rest is from a combination of savings from the enterprise bodies and other demand-led budgets.

Public sector pay

30. The Scottish Government published its public sector pay policy for 2014-15 and 2015-16 alongside the 2014-15 draft budget. This pay policy directly affects the pay of Scottish Government staff, and the staff of around 50 public bodies, which together account for around 6% of the Scottish public sector (around 30,000 staff). Other parts of the public sector, such as local government and the NHS, are not covered by the Scottish Government's pay policy and determine pay separately.

31. The pay policy covers both 2014-15 and 2015-16. The main features of the pay policy are:

- A one per cent cap on the cost of the increase in basic pay for staff earning above £21,000 – within this, there is discretion to award higher pay increases to particular groups of staff, so long as this is offset by lower increases for other groups.
- A minimum basic pay increase of £300 for those earning less than £21,000 (to be awarded on a pro-rata basis for part-time staff).
- A continued commitment to paying a Scottish living wage (currently at £7.45 per hour) for the duration of the Parliamentary term.
- A lifting of the pay freeze for those earning more than £80,000 that had been in place in the previous three years.
- A continued commitment to no compulsory redundancies, to be negotiated by individual employers in exchange for agreements on workforce flexibilities and efficiencies where appropriate.

COSLA position

32. COSLA did not issue an official statement on the Draft Budget. The organisation's Leaders' Forum met shortly after the announcement, at which it was reported that areas of additional pressure previously identified by COSLA were covered in the budget, including funding in 2014-15 and 2015/16 for the Children and Young People Bill and the Scottish Welfare Fund in line with expectations and a reiteration of proposed joint arrangements for funding the council tax reduction scheme and free personal care uplift. It was also reported that COSLA would continue to work with the Scottish and UK Governments "to ensure the negative impacts of the welfare reforms are mitigated as much as possible and any financial burdens falling on local government are financed".⁹

⁸ Scottish Parliament, Official Report, 2013.

⁹ COSLA, *Local Government Funding Pressures*, Report to Leaders' Forum, September 2013

Next steps

33. The Draft Budget will now be subject of consultation with the public and Parliamentary committees. The Finance Committee will then make a report in early December which pulls together recommendations from the various subject committees' reports, and this is debated in Parliament in late December. The final stage of the budget process starts with the laying of the Budget Bill in Parliament in mid-January. The Budget Bill must be laid by 20 January each year, or the first day thereafter on which Parliament sits, and must complete all of its stages by February recess. It receives Royal Assent in March.
34. Following the publication of the Draft Budget however, the local government settlement undergoes its own parliamentary procedure in parallel with the formal budget process. This procedure is summarised below.
- Nov / Dec: Local Government Finance Settlement Circular published. This Circular outlines the provisional total revenue and capital allocations to individual local authorities. The provisional total funding allocations form the basis of the annual consultation with COSLA and individual local authorities ahead of the Local Government Finance Order.
 - Jan / Feb: Local Government Finance Order laid in the Parliament and debated in the chamber.
 - Feb / Mar: Individual local authorities agree their budgets and decide whether to freeze their council tax.
 - Feb / Mar: Local Government Finance Amendment Order is laid before Parliament and debated in the Chamber. This Amendment Order contains the council tax freeze monies in the settlement, reflecting the decisions of local authorities regarding council tax.
35. In addition, subordinate legislation will be considered by this Committee regarding the Non-Domestic Rates poundage rate for the forthcoming financial year and any other non-domestic rates related issues, such as the proposed public health supplement.
36. For its part, the Commission will consider early in the New Year its Local Government Overview Report 2014, with a view to its publication soon thereafter.

Conclusion

37. The Commission is invited to note this report.

Paul Reilly
Secretary & Business Manager
10 October 2013

APPENDIX: Breakdown of DEL

DEL RESOURCE by portfolio in real terms (£m in 2013-14 prices)

Portfolio	2013-14	2014-15	2015-16	Change 2014-15 on 2013-14 (%)
Health and Wellbeing	11,468.6	11,620.5	11,446.7	1.3
Local Government	7,287.6	6,938.4	6,659.2	-4.8
Education and Lifelong Learning	2,496.5	2,511.9	2,583.6	0.6
Justice	2,465.6	2,495.6	2,433.4	1.2
Infrastructure, Investment & Cities	1,238.7	1,136.9	1,137.6	-8.2
Rural Affairs & the Environment	480.2	475.0	473.5	-1.1
Finance, Emp. & Sus. Growth	421.2	369.7	325.0	-12.2
Culture & External Affairs	223.7	212.2	208.4	-5.2
Administration	201.8	189.3	189.4	-6.2
Crown Office & Procurator Fiscal	104.5	103.1	102.0	-1.3
Scottish Parl. & Audit Scotland	89.2	90.4	89.1	1.3
Total	26,477.6	26,142.9	25,648.0	-1.3

DEL CAPITAL by portfolio in real terms (£m in 2013-14 prices)

Portfolio	2013-14	2014-15	2015-16	Change 2014-15 on 2013-14 (%)
Infrastructure, Investment & Cities	1,159.6	1,493.6	1,617.9	28.8
Local Government	552.2	758.8	787.9	37.4
Health & Wellbeing	418.5	253.2	182.3	-39.5
Finance, Emp. & Sus. Growth	114.8	124.9	276.0	8.8
Education & Lifelong Learning	123.6	113.5	91.1	-8.1
Rural Affairs & the Environment	60.6	73.8	97.6	21.8
Justice	86.6	45.2	87.7	-47.8
Culture & External Affairs	23.1	14.7	19.0	-36.3
Administration	5.1	5.0	4.9	-1.9
Crown Office & Procurator Fiscal	3.6	3.5	3.5	-1.9
Scottish Parl. & Audit Scotland	3.3	3.5	3.5	7.1
Total	2,551.0	2,889.9	3,162.3	13.3

Source: *Financial Scrutiny Unit Briefing: Draft Budget 2014-15*, Scottish Parliament Information Centre, 13 September 2013.

Appendix 2: Scotland Performs: Performance against National Performance Framework Indicators relevant to Local Government, as at 11 September 2013

Performance improving

- Since December 2012, all unintentionally homeless households have been entitled to settled accommodation.
- More local authorities received positive evaluations in child protection inspections in 2009-12 than in the previous period.
- The proportion of school leavers in positive destinations has increased over the last four years.
- The percentage of the working age population with low skills continues to decline as part of a consistent downward trend.
- The proportion of individuals living in relative poverty has decreased in the last two years, after remaining essentially unchanged for several years.
- The proportion of children living in deprivation has decreased in 2012.
- The percentage of people who perceive crime to have stayed the same or reduced in their area continues to increase.
- Reconviction rates decreased in the last two years, reverting to a longer term downward trend.
- The increase in the number of businesses over the latest year marks a turning point in the previous declining trend experienced since 2008.
- After remaining stable for four years, the percentage of adults participating in a cultural activity increased in 2011.
- The amount of municipal solid waste being produced in Scotland has decreased continuously for the past few years.
- The number of people killed on Scotland's roads has fallen continuously for the past several years, as part of a long term downward trend.

Performance maintaining

- New baseline data shows that 90% of schools and 92% of pre-school centres receive positive inspection reports.
- Although Scotland's educational performance is still above the OECD average, the gap narrowed markedly in recent years and has remained the same in 2009.
- Journeys perceived to have been delayed due to traffic congestion have remained about the same in the last two years (after declining from 2007).
- The proportion of adults who usually travel to work by public or active transport has remained about the same for the last decade.
- There has been no change in the proportion of adults meeting physical activity recommendations in recent years, although the longer term trend is generally increasing.
- After increasing continuously since 2008, the percentage of people receiving personal care at home has remained the same in the last year.
- The percentage of people who agree that they can influence decisions affecting their local area stayed about the same in the past year.

Performance worsening

- After generally improving between 2007 and 2011, the percentage of people who are 'very or fairly' satisfied with local public services has markedly decreased.
- The percentage of people who rate their neighbourhood as a very good place to live has declined in the past year, after increasing almost continuously since 2004.
- The estimated number of individuals with problem drug use has increased in recent years.
- Since 2008, there has been a decline in total annual new housing supply, due to a marked fall in the number of private rather than social new builds.
- Scotland's carbon footprint increased in the last year, after declining from the peak in 2007.

Source: *Scotland Performs*, Scottish Government.

ACCOUNTS COMMISSION

MEETING 17 OCTOBER 2013

REPORT BY SECRETARY AND BUSINESS MANAGER

COMMISSION MEETING ARRANGEMENTS 2014

Purpose

1. This report proposes meeting arrangements for the Commission for 2014.

Background

2. At its meeting on 18 October 2012, the Commission considered a paper on how it might improve how it manages its business. It agreed a proposed meeting schedule for 2013.
3. The Commission agreed that, as part of this schedule, and for an initial period of a year, meetings of the Commission's two committees take place on the same day, with a programme of speakers to be introduced for such committee meeting days.

Commission meeting days

4. The Commission agreed to a schedule of quarterly meetings with two more days set aside as an option for additional meetings of the committees, if required by business needs.
5. The Commission has held three Committee meeting days so far during 2013. There was also an additional one-off meeting of the Performance Audit Committee in January. The other two optional dates were not used.
6. The programme of speakers has been intended to cover major service and policy areas relevant to local government, as follows:

Date	Speaker	Subject
28 February	Caroline Gardner, Auditor General	Policy overview
30 May	John Fyffe, Executive Director of Education and Children's Services Perth and Kinross Council	Education
26 September	Stephen Moore, Interim Director of Health & Social Care Fife Council	Social services
28 November	To be confirmed	Housing

7. The Commission is therefore invited to consider if it wishes to continue with the arrangements of quarterly meetings of the committees. If it is content that such committee days include a slot for guest speakers, then the Commission may wish to consider how it wishes to utilise the speaker slots.
8. It may be helpful for Commission members to place meeting dates in their diaries at the earliest opportunity. There will however be a new Chair in place from November. It is proposed therefore that these arrangements be subject of agreement with the new Chair.

Proposed schedule

9. The attached proposed meeting schedule is based on the assumption that:

- the Commission is content to continue with its quarterly 'committee days'
- the Commission is content to continue to meet on Thursdays
- the Commission is content that there be no meeting during the month of July.

Conclusion

10. The Commission is invited to consider:

- whether it wishes to continue with the arrangement of 'committee days'
- the proposed schedule of meetings for 2014.

Paul Reilly
Secretary and Business Manager
8 October 2013

APPENDIX: ACCOUNTS COMMISSION MEETING SCHEDULE 2014

16 January	Accounts Commission	
13 February	Accounts Commission	
27 February	Committees	PAC am; FAAC pm
13 March	Accounts Commission	
3 April	Committees (optional date –only if business requires)	
10 April	Accounts Commission	
15 May	Accounts Commission	
29 May	Committees	FAAC am; PAC pm
19 June	Accounts Commission	
7 August	Committees (optional date –only if business requires)	
21 August	Accounts Commission	
11 September	Accounts Commission	
25 September	Committees	PAC am; FAAC pm
9 October	Accounts Commission	
13 November	Accounts Commission	
27 November	Committees	FAAC am; PAC pm
11 December	Accounts Commission	

'Committee day' arrangements:

10.30am – 12.15pm: First committee meeting

12.15pm – 12.45pm: Lunch

12.45pm – 1.45pm: Visiting speaker

2.00pm – 3.45pm: Second committee meeting